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for

COMMUNITY & COOPERATIVE

SERVICES

FARM SECURITY ADMINISTRATION

WASHINGTON, D. C.

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INTRODUCTION

THE PROBLEM

The Farm Security Administration has now had six years' experience in administering a rural rehabilitation program. This experience has brought to light the three following problems:

1. Limited personnel of Farm Security Administration.
2. Some borrowers' failure to increase their net worth.
3. Borrowers' isolation from their communities.

A. LIMITED PERSONNEL:

Every supervisor knows that his job requires far more time than he can give it. Even his contributions of overtime work do not suffice. The steady increase of office routine and supervisory requirements has built up a heavy administrative load.

In spite of this fact, there is no probability that the number of supervisors will increase in proportion to the number of borrowers. Experience has shown that with individual supervisory methods, the optimum number of borrowers per supervisory unit, consisting of farm supervisor, home supervisor, and clerk-typist, does not exceed 150 and often is smaller. The demands of rural poverty in the near future will force many supervisory units to handle 200 or 300 borrowers. This cannot be done effectively with present administrative methods.

B. SOME BORROWERS' FAILURE TO INCREASE THEIR NET WORTH:

Not all borrowers from the Farm Security Administration have been able to make progress in their rehabilitation. A substantial percentage of them are not making increases in their net worth. A few are steadily losing in net worth. Even though net worth is only one measure of rehabilitation, few borrowers can achieve rehabilitation without materially increasing their net worth resources.

C. BORROWERS' ISOLATION FROM THEIR COMMUNITIES:

Many Farm Security Administration borrowers, like other low-income rural people, have seldom participated in normal community activities. Those who once participated have been forced by adverse circumstances into isolation. The extent of this isolation recently was expressed at a meeting of six borrowers and their wives. Each of these families lived in different neighborhoods within the same county. After they had spent an hour discussing the various technical phases of their farm and home management, the question was asked:

"In what kind of neighborhoods do you live?"

They replied spontaneously: "We have no neighborhood."

The Farm Security Administration supervisor expressed amazement.

One farmer explained: "Possibly it does seem hard to believe. But, not a single family who lives near us has been into our home since we moved to our farm from another part of this county three years ago. Neither have we been in any of theirs. We have no neighbors. The families who live near us are nothing more than strangers."

After a thoughtful pause he concluded: "We live in a terrible neighborhood."

The borrower who made this statement was making exceptional progress in his economic rehabilitation. With his Farm Security Administration loan he had become well established in a dairy enterprise. His supervisor felt certain that he would repay his loan within a short while and be fully rehabilitated economically.

But, would this family be rehabilitated when it repaid its Farm Security Administration loan?

Obviously a family which has no relationships with the community, lacks both the stimulation of belonging to a community group and the use of the community's resources in solving its problems. It is ill-equipped to weather unforeseen economic storms. For this reason, a family's progress in economic rehabilitation to a large extent depends on its growth in community relationships. Such growth becomes, in fact, social rehabilitation. Economic rehabilitation and social rehabilitation depend upon each other. Social rehabilitation however is definitely beyond the reach of a family so long as it is submerged in economic poverty.

The seriousness of these three problems will be accentuated by the post-war crisis. Rural poverty then will become far more acute than it has been in the past. The Nation will have to take steps to alleviate it. If the Farm Security Administration has developed by that time administrative methods through which a supervisory unit can keep 300 borrowers making steady progress in net worth, as well as other evidences of rehabilitation, Congress probably will give it the responsibility for a much wider segment of rural poverty than it has to date. If the Farm Security Administration has not developed such methods, Congress will be forced to find some other method of carrying this responsibility.

PRESENT METHODS OF ADMINISTERING FSA PROGRAM

The problems of limited personnel, net worth losses, and community isolation, have been brought to light by the Farm Security Administration's development of supervision. The Farm Security Administration started its supervision on an individual basis. Supervisors made all of their contacts with individual families. This was partly due to the fact that the Farm Security Administration grew out of a relief agency and adopted for supervisory purposes the case method of administering relief.

Individual supervision soon became overloaded. It was found that the borrowers required more supervision than supervisors could give through individual contacts. In 1938, therefore, the Farm Management Section urged supervisors to bring borrowers together for collective supervision, wherever possible.

Collective supervision has been widely used. When the supervisor has information needed by several borrowers, he calls them together and gives it to them collectively rather than individually. The supervisor arranges the program and carries full responsibility for conducting the meetings. Such meetings are the supervisor's meetings and not those of the borrowers.

Collective supervision has merely supplemented individual supervision. It has not taken its place. On the contrary, it has been the full use of both types of supervision which has brought to light the problems of limited personnel, net worth losses, and community isolation. The present recognition of these problems indicates that Farm Security has reached a stage in its development where it needs still another method of supervision. Such a method will certainly not take the place of individual or collective supervision. It will merely supplement them.

RESOURCES FOR SOLVING REHABILITATION PROBLEMS

The development of a third method of supervision must be based upon a clear recognition of the source of rehabilitation. It is not enough to admit that both borrowers and supervisor are working to solve rehabilitation problems. Of course, each of them has certain resources for such work. But the vast reservoir of human resources lie not within the supervisor or the Government, but within the borrowers themselves. Unless the supervisor has a deep conviction that this is true, he cannot possibly stimulate borrowers to develop and use their own resources to rehabilitate themselves.

A THIRD METHOD OF SUPERVISION

The third method of supervision, therefore, must be one which taps the

potential human resources of borrowers. Furthermore, it must direct those resources as they are developed into constructive rehabilitation channels.

THE PATTERN FOR THE THIRD METHOD OF SUPERVISION

Such a method is available. Several organizations have used it successfully. For instance, a state farm organization has found it an effective method for tapping the human resources of its members. This organization started in 1920 and quickly built up a membership of 88,000. It developed into one of the most successful state farm organizations in the Nation, operating a large cooperative supply and insurance business. In spite of this, its membership steadily declined, dropping to 6,000 in 1935. The organization had tried all of the usual methods of increasing its membership. None of them was effective. Finally, an officer in the organization's state office suggested a new approach. In traveling through the state he had heard members severely criticizing the organization's program. He believed that the members themselves had the potential resources to develop a program which would eliminate these criticisms if only their ideas and efforts could be developed and used. So he went to the home of a member-family and asked the husband and wife what program they thought would be more effective in helping them solve their farming problems. They made a number of vague suggestions. This prompted him to suggest that they invite to their home 11 neighbor-families to pool their ideas and make them available to the officials of the organization.

The family acted upon his suggestion. They spent a considerable amount of time preparing the list of families. In recent years there had not been very much visiting between families in their neighborhood. But, each family knew which of its neighbors would come to their aid in case of illness or death. Their knowledge of these latent friendships enabled them to prepare the list. Then the family invited the 11 families of their choice to their home for a get-together.

The official from the state office attended this meeting. He conducted an informal discussion of what the families thought the program of their organization should include. After an hour of discussion, the official complimented them upon the ideas expressed and asked whether they would meet each month to swap ideas and develop program recommendations to send into the state office. He explained that such meetings would be their own responsibility and no one from the organization would attend. However, the organization would send the program material for the group to use at its meetings. In return for such material he asked that they send copies of the minutes of their meetings to the state office.

The group made plans immediately to meet in the home of a different family each month, each having the opportunity of acting as host once a year. This group has continued to meet monthly for more than six years. More than a thousand similar groups have sprung up in the same state. Only 60 groups have disbanded during the time. Copies of minutes show that the meetings have had an average attendance of more than 20. Thus, in that state more than

20,000 farm people are now meeting in their homes each month. They have developed a motto which reads: "In the Living Room of Our Neighbor's Home - We Build."

This group method has tapped the human resources of the organization's members. By using these resources the members have completely revitalized the organization. They have increased the organization's membership 400% during the six years the program has been in operation. Delegates from the groups work up the organization's annual program. By this procedure the program is now regarded by the "grass roots" members as a program which they have had a part in formulating. They understand it and participate in it to solve their individual and common problems. Their participation is steadily increasing.

The way this method has tapped the resources of members was shown by the comments of a man who bragged about the fact that he and his wife had attended monthly meetings of such a group for three years without missing a single meeting. After adjournment, he was asked: "What makes those meetings so worthwhile to you?"

"We work in them," he replied. "At least we discuss our problems and make plans for work."

"What has been your most outstanding job?"

"Oh, we've put names on our mail boxes, helped each other mend fences, and improved the telephone service in our neighborhood. Right now we are working on a plan of group medicine. The state laws have held us up. But we are going to change the law. We need group medicine badly."

"Couldn't you have done these things without holding a meeting every month?"

"I doubt it," he replied. "We certainly hadn't thought we could before we began meeting. This may surprise you, but possibly the work of our group has not been so important as the new spirit it has put into our neighborhood. Twenty years ago, I met my neighbors regularly at church. On many Sundays we talked for an hour or two after the service. I was also active in the Lodge in those days. Now folks don't go to our church as they used to. They hurry away after the service. The lodge dried up long ago."

"Our home group has brought my wife and me together with our neighbors again. At the meetings we talk over all of our problems; farming, the school, the weather, and our kids. Some of my neighbors have mighty good ideas. I know, because I've tried them. Our getting together and working together has made me realize that we have the best neighborhood in the country. I guess I am a bit proud of belonging to it."

This man's emphasis gave a deep meaning to the word "belonging." It

was the key which had unlocked his potential human resources of ideas, experience and energy. While isolated from his neighbors, those resources had remained walled up in himself. But his regular attendance at the informal get-togethers had subjected him to the warmth and stimulation of his neighbors' friendship and ideas. This environment had germinated his resources. They had not dammed up in himself. Instead, they had flowed into group action as he participated with his neighbor-friends in solving common every-day problems.

MANY SUPERVISORS ARE USING THIS GROUP METHOD

A Farm Security Administration supervisor in the state where the farm organization developed this group method became interested in the effectiveness of the method. He began asking his borrowers to meet regularly in similar groups. Through these groups he was able to give supervision which supplemented his individual and collective supervision. The establishment of such groups for supervision purposes spread to other states and regions. Out of these efforts a new method of supervision has evolved. Supervisors call it the "action group" method.

HOW SUPERVISORS USE THE ACTION GROUP METHOD

The supervisor who decides to use this method begins by asking borrower families to invite from five to seven neighbor-families to their homes. The supervisor did this in one county by calling together 12 borrower-families representing the communities in his county. He explained the purpose of the action groups to them and outlined the steps they might take to establish such groups. Upon returning to their homes, each of these families made up a list of from five to seven of its neighbor families. Then each invited these families into its home. More than 90% of them attended. This attendance occurred in a county where the supervisor had seldom been able to get 20% of his borrowers to attend his supervisory meetings.

The supervisor went to the first meeting of each group. He helped the families discuss, informally, their home and farm problems. The problem of buying garden seed arose. Some families had paid more than others for their seeds. They knew that they could have saved each other money if they had pooled their orders and made a large purchase at one time. But they didn't quite know how to proceed in doing this for the next season's purchases. Therefore, they appointed a delegate to meet with the supervisor to work out some plan of buying their garden seeds together. The supervisor told them that other action groups had elected delegates for the same purpose and that he would call all of them together for a meeting in his office.

The newly elected delegate then asked the families how they expected him to report the action taken at such a delegates' meeting to them. He pointed out that it would take a lot of time to report to them individually. They got the point. After discussing it for a few minutes they agreed that

they would meet each month as a group to receive reports from the garden seed delegate as well as from other delegates whom they might appoint to get information about other problems. They elected a chairman and gave to him the responsibility of getting the group together each month. His job was simplified by the offer of three families to have the group hold its next meeting at their home. In addition the group elected a chairman to keep minutes of the meetings and to send copies of them to the supervisor. That is all there was to setting up action groups. They have continued to operate just as easily. And in their operation they serve as channels through which the supervisor administers his entire Farm Security Administration program: Farm and Home Management, Community and Cooperative Services, and Farm Debt Adjustment.

ACTION GROUPS ARE EFFECTIVE

Supervisors have proved that action groups help solve the problems of limited personnel, net worth losses and community isolation. One supervisor has been using this method of supervision for two years. His borrowers now have eight action groups. He reports that those who are members of the groups show the following advantages over those who are not action group members:

1. They require only one-tenth as much individual supervision.
2. They have increased their net worth more rapidly.
3. They have gained a more vital sense of belonging to a group of neighbor-friends.

ALL SUPERVISORS WANT THE ACTION GROUP METHOD

The hungry man will fight to get a loaf of bread. The supervisor whose use of individual and collective supervision has failed to tap the human resources of his borrowers, leaving him and them with unsolved rehabilitation problems, should make a similar real effort to adapt the action group method of supervision to his own administrative needs.

WHY THIS GUIDE

This guide is written to help the supervisor make that adaptation. It outlines, first, the group action method of tapping borrowers' potential resources and, second, how borrowers may direct their released resources through the channel of Community and Cooperative Services to rehabilitate themselves.

CHAPTER I

PURPOSE OF COMMUNITY AND COOPERATIVE SERVICES

The purpose of C and C S is to provide the channel through which borrowers may work together to:

1. Build their economic and social rehabilitation.
2. Keep their economic and social rehabilitation.

BUILDING AND KEEPING REHABILITATION

The same relationships exist between building and keeping economic and social rehabilitation as exist between recovering from an illness and remaining in good health.

Nearly all farmers, whether they have low or high incomes, need to borrow money to operate their farms. For the purpose of this analogy, those who are able to borrow from banks and the Farm Credit Administration may be regarded as having financial health, those who cannot, as being financially ill. The latter come to the Farm Security Administration for loans.

While indebted to the Farm Security Administration, borrowers work to build their rehabilitation. Their progress is measured in part by their loan repayment. Such borrowers are recovering from their financial illness. After paying off its Farm Security Administration loan, the family faces the problem of keeping its rehabilitation, measured in part by their ability to borrow from the Farm Credit Administration and banks. Keeping rehabilitated is as important in financial affairs as it is in health. Unless a man learns while recovering from the "DT's" how to control his thirst, he seldom maintains his health. Neither is a farmer rehabilitated who does not learn, while building rehabilitation, how to keep it.

BORROWERS USE C AND C S TO BUILD THEIR ECONOMIC REHABILITATION

ECONOMIC PROBLEMS

Every borrower is faced with the following economic problems:

1. The high cost he has to pay for supplies.
2. The inadequacy of his equipment and facilities.
3. The low cost he is paid for his products.

The individual farmer cannot solve these problems alone. The resources of his single farm, human as well as material, are inadequate.

The borrower's low-income farm neighbors have similar problems. Neither can they solve these problems with the limited resources of their single farms.

SOLUTIONS DEVELOPED IN C AND C S

In an effort to solve their common problems, individual borrowers work together as a group in a Community Service or in a Cooperative Association to pool the resources of their single farms. They make the combined resources of all farms owned or operated by the group available to each other. In this way they have solved the above problems by:

1. Buying together.
2. Operating farm and home equipment and facilities together.
3. Selling together.

BUYING TOGETHER IN A C AND C S

Borrowers have reduced the cost of their supplies by pooling their individual purchases in C and C S buying clubs or purchasing associations. The size of their pooled orders has enabled them either to get lower prices from retail dealers or to buy directly from wholesalers or manufacturers. Borrowers in one state made \$930,000 of pooled purchases during 1940 at a saving of \$137,000. They saved \$3 per ton on fertilizer. They bought pressure cookers for \$9.75 which cost borrowers in an adjoining state \$14.

Furthermore, buying together in C and C S has enabled borrowers to buy on specification rather than "in the dark". In one county the local dealers had never handled certified seed potatoes. Borrowers wanted them. In order to get their pooled order the dealers stocked the seed the borrowers specified. In this way borrowers received increased value for their dollars.

OPERATING EQUIPMENT AND FACILITIES TOGETHER

Borrowers have gained the part-time use of needed equipment and facilities by working together in C and C S. The borrower who raises 10 acres of hay needs the use of a mower only one-fifth as long as the farmer who plants 50 acres. The larger operator does not keep five mowers. Neither does the little farmer need to own one mower for his exclusive use. But the efficient operation of his farm depends upon the part-time availability of such equipment to him.

Borrowers have pooled in C and C S their part-time use of equipment and facilities to jointly own and operate, among other things, the following:

1. Home equipment; such as washing machines, pressure cookers, and sewing machines.
2. Farm equipment; such as mowers and combines.
3. Facilities; such as gins, elevators, cold storage houses and insurance associations.

Many borrowers suffer from the inadequacy of land. In order to solve this problem, borrowers have organized land leasing and purchasing associations. Through these associations they pool their efforts to deal with private landlords, corporations, county, state and Federal Governments and any other agency from whom land may be leased or purchased. They have made definite progress in increasing their bargaining power with landlords. As a result, they have solved many of their tenure problems and gained the use of more adequate land.

By working together in C and C S, borrowers have developed the following solutions to problems raised by inadequate equipment and facilities:

1. Made available for part-time use needed equipment and facilities.
2. Operated equipment and facilities at a cost which each of them could afford to pay.
3. Acquired ownership, and through ownership, control over equipment and facilities needed to achieve and maintain rehabilitation.

SELLING TOGETHER IN C AND C S

Borrowers have increased their income by pooling the products of their individual farms and selling them as a group in a C and C S selling club or marketing association. They have sold in this way most of the commodities for which there is an open market, including cotton, grain, livestock, timber, vegetables, dairy and poultry products.

In selling together in C and C S borrowers have increased their incomes also by:

1. Using improved marketing standards in preparing their pooled products for sale.
2. Increasing their bargaining power with buyers through the control of their pooled supply of a given product in the local market.

BORROWERS USE C AND C S TO BUILD THEIR SOCIAL REHABILITATION

The borrower cannot build social rehabilitation, in the sense of belonging to his neighborhood and community, through individual action. In order to do this he must work with others. His use of C and C S to build economic rehabilitation requires him to work with others. But before he can work with others he must get together and think together with them. He does both of these things in meetings of his action group and of C and C S members. Through such contacts he gets acquainted with his neighbors. He learns to trust them and to have confidence in their ability to solve everyday problems. He works spontaneously with them. Some of them become his friends. He gradually gains a sense of belonging to a group of neighbor-friends. It is in this way that he uses C and C S to start the process of building his own social rehabilitation.

BORROWERS USE C AND C S TO KEEP THEIR ECONOMIC AND SOCIAL REHABILITATION

The problem of keeping rehabilitated faces borrowers as soon as they pay off their Farm Security Administration loan. Unless they can solve this problem their needs soon force them to apply for Farm Security Administration assistance again.

The Farm Security Administration has a definite responsibility for helping borrowers keep their rehabilitation. This responsibility is the same as that of a physician who helps a patient recover from pneumonia. First, the physician must tell the patient's family how to provide the diet, housing and clothing which the patient will need to go through the period of convalescence without suffering a relapse. Second, the physician must teach the patient how to use the resources provided by his family to hasten and maintain his recovery.

The Farm Security Administration has a similar responsibility. As one method of helping borrowers build their economic rehabilitation Farm Security Administration must teach them to work together in a C and C S. In it, they pool their individual resources. While working together as members of the C and C S each member also builds social rehabilitation by gaining a sense of belonging to the group of neighbor-friends with whom he works. By belonging he gains access to the group's pooled resources. It is often his continued use of these resources after he pays off his loan that makes it unnecessary for him to return to the Farm Security Administration for assistance. Instead, he keeps his own rehabilitation.

THE FARM SECURITY ADMINISTRATION'S PRIMARY RESPONSIBILITY

Just as the physician strives to keep his patient healthy, the Farm Security Administration has as its chief job that of helping the individual borrower overcome his need for Farm Security Administration services. It does this to the extent that paid-up borrowers keep their rehabilitation without further assistance from the Farm Security Administration.

In helping borrowers keep their rehabilitation the Farm Security Administration will, of necessity, work itself into the far more important task of preventing rural poverty. For the same reason that the medical profession has always been too occupied with treating acute and chronic illness to practice adequate preventive medicine, the Farm Security Administration has been unable to assume this task. It cannot get at the root causes of rural poverty so long as its facilities are overburdened with families having acute rehabilitation needs. Nevertheless, Farm Security Administration is making an effort both to remove and to prevent rural poverty by:

1. Making loans to farm families who are now below the Farm Security Administration level.

2. Assisting families to cope with such disasters as storms, floods, and drouth.
3. Preventing farm families from gradually sifting down from owner to tenant to laborer to migrant.
4. Removing the causes of rural poverty.

In order to make his greatest possible contribution to these undertakings, each supervisor must work constantly to help borrowers use C and C S, not only to build their rehabilitation, but also to keep it. He may do this by taking the following steps:

1. Keep clearly in mind that borrowers need both to build and to keep their social as well as their economic rehabilitation.
2. Assist borrowers to get together, think together and plan together in action groups to solve their common rehabilitation problems. (See Chapter II).
3. Encourage borrowers to work together in C and C S to solve their common economic problems in such a way that they also build social rehabilitation.
4. Train borrowers to assume more and more responsibility for the operation of their C and C S so that ultimately the aid of Farm Security Administration will not longer be needed.
5. Stimulate borrowers to develop in their C and C S new methods of preventing rural poverty.

THE POTENTIALITIES OF C AND C S

Borrowers have proven that C and C S provides the channels through which, by working together, they can solve many rehabilitation problems which they could not solve individually. No one knows the extent to which they can use C and C S to build and to keep their rehabilitation. The use they will make of these services depends, primarily, upon the supervisor. He has both the chance and the job of helping borrowers develop and use their potentialities.

Several methods which the supervisor can use to help borrowers make greater use of C and C S are outlined in this guide. The methods are highly flexible. The supervisor should change them to meet specific situations.

CHAPTER II

HOW TO APPROACH C AND C S THROUGH ACTION GROUPS

DEFINITION

An action group is a small group of families who meet regularly in their homes, study their common needs, and who work together to satisfy those needs. Usually about half a dozen families make up an action group.

WHY THE ACTION GROUP IS USED TO APPROACH C AND C S

Low-income farm families have many needs which they cannot satisfy by their own efforts. They can satisfy some of these needs by working together in a C and C S. But they cannot do this unless they realize that many of their needs are common to other low-income families and unless they understand the methods by which they can work together to satisfy those needs. Action groups provide the means through which they can gain such an understanding. These groups lay the basis for joint action.

HOW TO USE THE ACTION GROUP APPROACH

To help borrowers use the action group approach to work together in a C and C S the supervisor

1. Gets borrowers together in action groups.
2. Stimulates members of action groups to recognize their common needs.
3. Presents C and C S methods by which group members may work together to satisfy their common needs.
4. Assists in the organization of the action group at its first meeting.
5. Emphasizes the necessity for recreation at action group meetings.
6. Gives technical information to action group delegates.
7. Supplies action groups with discussion material for meetings.
8. Suggests an order of business at second meeting of action groups for subsequent meetings.
9. Fills requests from groups for special assistance.
10. Arranges contacts through which two or more action groups may pool their C and C S efforts.

FIRST STEP - GETTING BORROWERS TOGETHER

The supervisor gets borrowers together in action groups by contacting them:

1. At neighborhood meetings which he calls of all borrowers in a neighborhood.
2. At leaders' meeting to which he invites one or two outstanding borrower-families from each neighborhood in his county.
3. At their farm or in his office, individually.

The supervisor uses the following procedure in each type of contact:

1. Arouses borrowers' recognition of one or more of their specific needs.
2. Explains how borrowers elsewhere have gotten together in action groups to analyze such needs.
3. Asks that borrower-families volunteer to start an action group by selecting and inviting from 5 to 10 neighbor-families to their homes.
4. Offers to assist volunteer families select the families for their action groups, if necessary, and to attend the first and second meetings of each group.

SELECTING FAMILIES FOR ACTION GROUPS

Many borrowers who volunteer are capable of selecting the families to start an action group. Others cannot do this. In either case, the supervisor should encourage the families to assume as much responsibility for doing this as they can carry. In order to encourage them, the supervisor must understand the community relationships of the borrowers.

Some borrowers have lived on the same farm for many years. They know all of their neighbors even though they may seldom see them. In case of illness or death they know which of their neighbors they would help and which ones would help them. In selecting neighbors to start an action group, borrowers generally pick their best friends, the families with whom they have the most in common. Furthermore, it is these friends whom they prefer to have visit in their homes. Such borrowers do not need the supervisor's assistance in selecting families for their action group.

There are other borrowers who have only recently moved into a neighborhood. They neither know their neighbors or are known by them. These borrowers would find it difficult to start an action group because they would not know whom to invite to their home. Hence they must depend on the supervisor for help in selection. To them the supervisor should suggest the selection of families who meet the following qualifications:

1. Have borrowed from the Farm Security Administration.
2. Would feel at ease in the borrower's home. This factor is determined by similarities in need, income and level of living.
3. Live in the same "natural" community as the borrower.

NATURAL COMMUNITIES

Farm people form "natural groups" by "chewing the rag" at the same store, by sending their children to the same school, by going to the same church, and by day-to-day visiting in each other's homes. The people themselves have created these groups by generations of living and acting together. They cannot be artificially made. Neither the Government nor any other agency can make these groups artificially by drawing a line on the map. A county line neither makes nor divides a "natural group". Whether the people who live in an area look upon themselves as "neighbors" and as "belonging together", separate from other surrounding groups, is the most important factor in determining the outlines of these natural groups.

One type of natural group is called a "neighborhood". It usually centers around some crossroads store, church or one-room school. The people living in it have frequent contact with each other.

A cluster of neighborhoods makes up a "natural community". It generally possesses a village or a community center to which the people from the neighborhood travel fairly often.

Maps have been prepared which outline the neighborhoods and communities in 30 or more counties of many states. These maps are available in the county agent's office. They have been used mainly in land-use and program planning. Supervisors whose counties have not been mapped may obtain a complete statement of the methods of neighborhood and community delineation from the County Planning Series Bulletin No. 6 "Communities and Neighborhoods in Land Use Planning", and from a Farm Security Administration leaflet on neighborhoods and communities in Farm Security Administration's action program. These bulletins were prepared by the Bureau of Agricultural Economics. In general, the method consists of talking to farmers and finding out whom they consider as belonging to the neighborhood in which they live.

In order to help borrowers who do not know their neighbors make an intelligent selection of families for their action group, the supervisor must know the approximate boundaries of neighborhoods and natural communities in his county. Then he can tell borrowers which other families live in the same "natural communities". Even though the borrower may not know some of these families, he has certain essential community ties with each of them. He feels free to invite the families of his own economic level into his home. They, in turn, often welcome the opportunity of visiting their neighbors. Such ties give a basic cohesion to the action group. These ties develop rapidly to give the group members the sense

of belonging together. It is upon the basis of natural community ties that low-income farm families can best work together to solve common problems.

SELECTION OF NON-BORROWERS

Borrowers who want to start an action group often will ask the supervisor whether they should select non-borrowers.

The supervisor may suggest that they give borrower-families first consideration. However, he must make them realize that in assuming responsibility for starting an action group, borrowers have the chance to select the families with whom they would prefer to meet regardless of their obligations to the Farm Security Administration. Neighbors who are both borrowers and close friends will usually team up in the same action group. If several borrowers want to invite a non-borrower to become a member of their action group, the supervisor would hardly be justified in objecting.

INVITING FAMILIES

After the borrower family has selected the families for its action group it invites each of these families to its home for a get-together. It is important that the family should assume full responsibility for giving the invitations. Families who receive an invitation from a neighbor almost invariably make a special effort to attend the get-together.

It is also important that the invitation be given to the wives as well as the husbands of the selected families. Action groups are "family" groups rather than "hen" or "stag" parties.

USE OF PUBLIC MEETING PLACES

Ordinarily the best place to hold the first action group meeting is at the home of one of the sponsor families. Sometimes, however, a group may leave out some family which especially needs group action. The neighbors may object to an "outcast" family for some petty reason, refusing to "have these people in my house". Frequently this difficulty may be overcome if the group gets together the first time or two at the schoolhouse or church. Later, as group discussion brings about a more sensible and tolerant viewpoint, the meetings may be transferred to a member's home.

The problem of the proper meeting place involves the question of "dressing up". In some neighborhoods farmers will go to the school in their work clothes, but will dress up for a meeting in another home. Sometimes, on the other hand, they will go to a friend's home without dressing up, but will not wear work clothes to a school or church. If action groups are to be informal, and if participation is to be made easy, borrowers must take such matters into account in deciding where to meet.

SECOND STEP - STIMULATING ACTION GROUP MEMBERS

When low-income farm families get together at a neighbor's home they must be stimulated to understand the rehabilitation needs they have in common. Often they are too submerged beneath these needs to even recognize them. In their repeated failure individually to satisfy certain needs, they have become discouraged. They lack enough self-confidence and optimism to make further effort, particularly the effort to analyze and understand their needs. They need to be stirred out of their mental dullness and inaction.

HOW TO STIMULATE

Action group members may be stimulated to think by getting them to participate in a discussion of their needs. They may be aroused to take part in such a discussion by:

1. Exchanging their own experiences and ideas.
2. Written discussion material.
3. An outside visitor, such as the supervisor.

SUPERVISOR STIMULATES DISCUSSION

In order to help an action group get started the supervisor attends its first meeting. He asks questions to stimulate the action group members to express their own ideas about what they need. He supplements their ideas with information of his own in such a way that the discussion moves toward the agreement by the whole group upon a concise statement of specific needs.

TECHNIQUES OF EFFECTIVE ACTION GROUP DISCUSSION

The supervisor may use the following techniques in stimulating an action group discussion. (See B.A.E. Leaflet DN-2, "Suggestions for Discussion Leaders"):

1. Arrange group in a circle, so each person can see every other person.
2. Provide table space, if convenient, for leader and entire group.
3. Let all stay seated during discussion, including leader. Keep it informal.
4. See that everybody knows everybody else.
5. At first gathering of an action group go around the circle, each introducing himself. If a newcomer joins the group later, he should be introduced to each member of the group.
6. Start on time and close at a predetermined time.
7. In opening, emphasize: That everyone is to take part. If a single member fails to express his views, the discussion is not completely successful.
8. Be sure to emphasize that: No speeches are to be made by leader or group member. No monopoly is wanted. After

- opening statement, limit individual contributions to a minute or so.
9. The experiences and ideas of group members should be brought to bear on their needs.
 10. At the outset get a sharply defined need before the group.
 11. In general, don't put questions to particular group-members unless you see that they are trying to find words to express an idea: "Mrs. Brown, you were about to say something." Otherwise: "Let's have some discussion of this need." Or: "What do some of the rest of you think of this?" Or: "We've been hearing from the men. Now how do you women feel about this?"
 12. Interrupt speech-makers as tactfully as possible: "While we are on this point, let's hear from some of the others. Can we save your point 'til later?"
 13. Keep discussion on the track. Always keep it directed toward a need, but let the group select its own need.
 14. Remember that: The leader's opinion doesn't count in the discussion. He should keep his own view out of it. His job is to get the ideas of others out for an airing.
 15. If the leader sees that some important angle is being neglected, point it out: "Bill Jones was telling me last week what he thinks What do you think of that?"
 16. Keep the spirits high. Encourage ease, informality, humor. Let everybody have a good time. Foster friendly disagreement. Listen with respect and appreciation to all ideas, but stress what is important, and turn discussion away from what is not.
 17. Take time every ten minutes or so to draw the loose ends together: "Let's see where we have been going." Be as fair and accurate in summary as possible. Close discussion with a summary — your own or the secretary's.
 18. Call attention to unanswered questions for future study or for reference back to speakers.

HOW TO USE DISCUSSION TECHNIQUES AT LARGE MEETINGS

When the above discussion methods are used at an action group meeting each of the group members usually will express his ideas. Each probably will respond intelligently to information the supervisor contributes. These results make the supervisor wish that he could use the same discussion methods at larger meetings than those of action groups. These techniques can be used effectively at a meeting of from 30 to 100 individuals by organizing it into "huddles".

The supervisor begins such a meeting with a short lecture, not more than 15 minutes, during which he focuses the group's thinking on a short, concise question about a specific rehabilitation need. This might be done by asking, "What is the best method of buying garden seed in this neighborhood? Why?" Such a question stimulates thinking. The supervisor suggests that "huddles" be organized in order to get the entire group's answer to the question. Then he asks the

group to count off from one to five. All the "1's" go into one huddle, the "2's" into another, and so on. In a group of 40 this makes eight huddles. Each huddle quickly selects a chairman and secretary. The chairman of each huddle then uses the discussion principles listed above. He sees that everyone has a chance to take part and he keeps the discussion on the subject. The secretary writes briefly the answer reached by the huddle. About 20 minutes are given for the huddles to arrive at a written answer to the question.

When time is up, the leader calls the group together again and asks the chairman of each huddle to act as a panel member. He asks each person who did not say anything while the huddles were in session to hold up their hand. Everyone looks around. When they fail to see even one hand, they all realize that everyone in the group has taken part in the discussion. This makes them feel that the meeting is their own rather than the supervisor's. It gives them self-confidence.

The supervisor then writes the answer from each panel member on the blackboard beneath the question. The panel member gives the "why" of his huddle's answer verbally. When all of the answers have been reported the leader asks the entire group to choose, by a show of the hands, the best answer.

From this point on the supervisor acts as panel chairman, presenting information, asking panel members questions and encouraging general discussion from the floor.

In this way the supervisor may obtain 100% participation of borrowers in the discussion of their needs at large meetings.

THE OBJECTIVE OF DISCUSSION

The discussion in both an action group meeting and in a larger meeting should lead to the statement by the group of at least one specific need which is common to several members of the group.

The greatest possible number of group members should take part in the formulation of this statement. It is through their participation that they contribute to the discovery and statement of the need. This helps them understand it more clearly than they would if the need were stated by someone else. Furthermore, it is by taking part in the discussion that they lay the foundation for participating with others in future action to satisfy the need.

THIRD STEP - PRESENTING C AND C S ACTION METHODS

As soon as action group members state a specific need, the supervisor should present the C and C S method they can use to satisfy that need. It is the supervisor's job to explain these methods, since most low-income farm families are not equipped to make such an explanation. The supervisor knows these methods. It is his responsibility to make their use clear to action group members.

HOW SUPERVISOR PRESENTS C AND C S METHODS

The supervisor takes the following steps in presenting a C and C S method to action group members:

1. Keeps their attention focused upon the one specific need which they have stated in their discussion.
2. Explains the steps that they must take in using the C and C S method to satisfy this specific need. These steps are outlined in Chapter VI, "How Borrowers Organize a Co-operative Association".
3. Stimulate a discussion upon the adaptation of the method to the need until he is certain that they understand how the method may be actually used.
4. Explain the cooperative principles upon which the C and C S method is based. These are presented in Chapter III.

RESPONSIBILITY OF GROUP MEMBERS

Action group members have the responsibility of selecting the method through which they prefer to work in satisfying their need.

The supervisor should assist them make this selection on the basis of their own understanding of their need, of the C and C S action method and of the relationship between the two. He should not "high pressure" them into accepting a C and C S method upon his own recommendation. Instead, they should either accept or reject it on the basis of the advantages which they see in it as compared with other methods.

FOURTH STEP - ORGANIZATION OF ACTION GROUP

The discussion at the first meeting of an action group usually will convince its members of their need to get together regularly. Many needs will emerge from the discussion. Often they will not be able to select out of these their most acute need and express it in a clear statement. Even if they can do this they will leave many needs unanalyzed.

Furthermore, they will not always be able to understand a C and C S action method at their first meeting. Understanding will depend on the extent to which the need under consideration and the C and C S method of dealing with it fit into their day-to-day experiences. A group of dairy farmers would quickly recognize their need to increase the butter fat of the milk. They could take action at their first action group meeting to organize a community service to obtain a registered sire. But, in many cases they would be unable to gain a clear understanding both of a need and of the C and C S method of dealing with it at their first meeting.

For these reasons, action group members will want to get together again. The supervisor should suggest at this point that they meet regularly. If they accept this suggestion he should recommend that they organize themselves into

an action group.

HOW TO ORGANIZE AN ACTION GROUP

Action group members take the following steps in organizing an action group:

1. Elect a chairman to whom they give the responsibility for getting the action group together at least once a month.
2. Elect a secretary to keep minutes of the meetings, forwarding copies to the supervisor.
3. Summarize the discussion they conducted during the meeting with a statement of their most urgent need.
4. Assign to various members of the group certain action which they will take, individually or with others, to satisfy the need before their next action group meeting.
5. Elect delegates if necessary to get further information about certain needs or about the C and C S action methods of dealing with those needs.
6. Agree upon the need to be discussed at the next meeting.
7. Agree upon the home of the group member in which to hold the next meeting, selecting the date and time of the meeting.

FIFTH STEP - RECREATION AT MEETINGS

As soon as the action group has completed its organization, the supervisor should recommend that it be adjourned for recreation. This should be done early enough to allow at least as much time for recreation as has been taken up with business. The success of an action group often hinges upon the effectiveness of its recreation.

Almost any low-income farm family will attend the first action group meeting to which it is invited by its neighbor. Most of these families will participate in the discussion. But unless each family enjoys the first meeting enough to want to get together again with the same neighbors, they will not continue attending the action group.

TYPES OF RECREATION

The recreation used by action groups should be so simple and so familiar to its members that they will spontaneously participate in it. The following types of recreation have proven effective for action group meetings:

1. Group singing.
2. "Tell story" competitions.
3. Games, particularly those with which the groups are familiar or originate themselves.
4. Refreshments.

REFRESHMENTS

Action groups always like to be served refreshments. The hostesses are glad to do this. However, there is the temptation for hostesses to compete with each other in the quantity or quality of refreshments they serve.

In order to avoid such competition most action groups vote at their first meeting to limit refreshments to not more than three items. These usually consist of coffee, cake and fruit.

In some action groups each family carries a few cookies or pieces of fruit to the meetings. In such cases the hostess has nothing to provide but the coffee.

In still other groups, the cost of refreshments are borne by the group treasury.

SIXTH STEP - DELEGATES GET INFORMATION

The supervisor either supplies desired technical information to delegates who are elected at the action group meeting, or tells them where they may obtain it. In case several action groups have elected delegates to obtain similar information the supervisor may call them together for a meeting and give it to all of them at the same time. The procedure for doing this is explained elsewhere in this guide.

SEVENTH STEP - DISCUSSION MATERIAL

The supervisor will not be able to attend all meetings of the action groups in his county. His attendance should be exceptional rather than the rule.

If the supervisor or any other outsider attends the meetings the families will not express their own ideas as freely as when no one but neighbors are present. Neither will they discover and develop their own leadership. However, only a few borrowers have the ability to conduct regular action group meetings without outside assistance. Supervisors have experimented for some time to discover how they can supply this assistance without attending their meetings. Printed discussion material seems to provide the best channel through which this assistance can be supplied.

AVAILABILITY OF DISCUSSION MATERIAL

Discussion material through which the supervisor can supply outside assistance to action groups is now being prepared. A Discussion Material Committee has been appointed in the regional office. This Committee will prepare printed material for the action groups and supply supervisors regularly with it.

The discussion material for each action group meeting will contain both questions and information. The questions will be designed to:

1. Stimulate individual group members to pool their best ideas

about their problems and their most successful experiences in solving those problems.

2. Make group members stimulate each other into an awareness of their needs and of the necessity of taking further action to understand and to satisfy those needs.
3. Provide group appreciation of borrowers' experiences and ideas, thereby giving individuals confidence in their own capacities.

The questions will thus tap the borrowers' resources, pulling out of them their ideas and experiences.

The information, on the other hand, will present scientific facts and figures about family-type farm practices and problems which are designed to do the following:

1. Stimulate action group members to gain a clearer understanding of their resources and of their needs.
2. Explain how they may use C and C S action methods to satisfy many of their needs.

Such information will attempt, in general, to add to the thinking of action group members the most helpful scientific knowledge.

BOTH QUESTIONS AND INFORMATION ARE NECESSARY

Discussion material must provide action group members with both questions and information. The value of questions alone would be seriously limited by group members' lack of information. Likewise, the value of information alone would often have no meaning to them until they had been stimulated to recognize their need for it. By alternating questions and information in a discussion each tends to remove the limitations of the other. Questions pull out the members' ideas, and arouse their curiosity. Information then adds to their knowledge the information they must have in order to take intelligent action.

DISCUSSION MATERIAL HAS PROVEN ITS EFFECTIVENESS

Action groups which use discussion material take far more effective action than those which depend on the attendance of outsiders. The difference lies in the use which each method makes of the potential capacities of the group members.

When members know that an outsider will call and conduct their meeting they sit back and let him do it. In such cases the outsider must provide a constant supply of ideas and inducements to keep the meeting going. Participation of members in action programs of such groups is indifferent and apathetic. They do not develop their potential capacities to help either themselves or each other.

On the other hand, members of action groups whose meetings are not attended by outsiders must develop their capacities. Each member then feels responsible

for the success of the meeting. He opens up and contributes his ideas and experiences to the discussion of the group's needs. As soon as he understands a specific need he searches, with other members of the group, for the best action method. He agrees with them upon an action method. Then he assumes his share of the responsibility for working with the others to effectively use it. His efforts tap his potential resources, vitalize his actions and make them effective.

Because of this difference, outside assistance should be supplied to action groups through discussion material rather than through the attendance, except upon request, of supervisors at their meetings.

EIGHTH STEP -- ORDER OF BUSINESS FOR MEETINGS

The supervisor, with a supply of discussion material, attends the second meeting of each action group. He helps the group's chairman carry out the following order of business:

1. Report of the action taken since the last meeting by members to carry out the action plans agreed upon at that time.
2. Discuss the need selected at the previous meeting for discussion. The supervisor will supply discussion material on this need and show the group how to use the questions and answers it contains. The discussion should lead to the statement of certain specific needs.
3. Plan the action that will be taken to satisfy the specific needs, assigning special duties to delegates or committees.
4. Select topic to be discussed at the next meeting, in order that discussion material on that topic may be requested from the supervisor.
5. Agree upon date, place and time of the next meeting.

The secretary will record the action taken on each of the above items of business and send it to the supervisor. Her efforts will depend considerably upon whether she feels that this responsibility has been really given to her by the group or by the supervisor. When she feels that members of the group have appointed her because they recognized their need to send minutes of their meetings to the supervisor, she will almost invariably make a sincere effort to prepare and mail the minutes. Often she has to get one of her children or a neighbor to write the minutes for her. But if she feels that she has been asked to do this work for the supervisor rather than for her group, she will be very reluctant to assume the responsibility.

The attitude of the officers of an action group toward the duties of their office usually proves whether a supervisor has succeeded in making the families recognize that he is really trying to help them help each other rehabilitate themselves or to merely unload his own work upon them. The families are quick to detect this difference. They are far more willing to help each other than they are to relieve the supervisor of his own work.

NINTH STEP - REQUESTS FOR ASSISTANCE

The supervisor does not usually attend more than the first two meetings of an action group to give general assistance. However, he keeps in touch with the action taken at subsequent meetings through the minutes. Although they will often be poorly prepared, he will be able to obtain the following information from them:

1. The effectiveness of action which the group has taken to solve specific problems.
2. The group's own evaluation of its needs.
3. The plans of group action which the group has formulated to solve specific problems.
4. The election of delegates to obtain special information or to represent the group at meetings of other action groups or of such organizations as Agricultural Committees.
5. The group's request for:
 - a. Discussion material on specific topics.
 - b. His attendance at a meeting of their action group to assist in the organization of a C and C S for their group.
 - c. Contacts with other action groups which are working together in a C and C S to satisfy the same needs as their own group.

SUPERVISOR'S USE OF MINUTES

The supervisor will fill these requests promptly. He will mail the discussion material to the group's secretary. He will arrange to attend the action group's next meeting to assist its members organize a C and C S, if so requested. But probably his most significant use of the minutes will be that of filling their requests for contacts with members of other action groups.

TENTH STEP - CONTACTS WITH OTHER GROUPS

The supervisor may notice that the minutes of three action groups in the same community report their members' need for equipment to harvest their wheat. They also report the election of delegates to find out how this equipment may be obtained. After reading these reports the supervisor asks the three action group delegates to meet with him. He questions them about the acreage to be cut, and the availability of harvesting equipment. Then he supplies the necessary technical information, suggesting probably that members of the three action groups go together to buy and operate a combine as a Community Service. The delegates report this information to members of their respective groups who need harvesting equipment and ask them to attend a neighborhood meeting at the school where the supervisor will help them take final action in setting up the Community Service. (See Chapter V). In this way members in all three groups would pool their efforts to solve a common problem.

By bringing together in this way the members of two or more action groups the supervisor helps them extend their C and C S action beyond their own group. This becomes urgently necessary as the members undertake to solve increasingly complex problems in C and C S.

SUPERVISOR USES ACTION GROUPS TO DEVELOP HIS C AND C S PROGRAM

The supervisor distributes information about the C and C S action method in the discussion material and receives requests to organize C and C S in the action group's minutes. By combining the use of these two tools he can rapidly obtain increased borrower participation in:

1. Organizing C and C S upon a basis of their understanding of their needs.
2. Adapting and developing C and C S action methods to meet their actual needs.
3. Operating C and C S to satisfy their needs.

Such participation by borrowers will enable the supervisor to develop a vital C and C S program in his county.

ACTION GROUPS PROVIDE BASIS FOR DEVELOPING AN EFFECTIVE C AND C S PROGRAM NATIONALLY

Each administrative level of the Farm Security Administration may base its C and C S plans upon the supervisor's use of action groups in his county. The same two-way process is involved at each level as it is in the county.

The boiling-up process begins with each supervisor forwarding the most important items which borrowers have sent him in their action group minutes to the Discussion Material Committee in his regional office.

REGIONAL USE OF MINUTES

This regional committee will use the experiences and ideas of borrowers reported in the minutes in the preparation of its discussion material. It will also bring to the attention of the regional C and C S Section reports not only of significant adaptations by borrowers of C and C S methods to meet their special needs, but also of needs which borrowers cannot satisfy with existing C and C S methods. The C and C S Section will use this information either in modifying its C and C S methods or in developing new methods.

The Regional Discussion Material Committee will forward the most important items in the minutes it receives to a similar committee in the Washington office.

WASHINGTON'S USE OF MINUTES

The Washington committee will act as a clearing house of the action group minutes between the regional committees. It will distribute to all the regional committees those ideas and experiences reported in the minutes which have out-

standing national value. It will supplement them with comments by the Farm Security Administration's technical staff.

In this way the report of an especially effective use of a C and C S method will be exchanged by the Washington office with all of the regions. There it may be printed in the regional discussion material and sent to the county supervisor. He will forward it to the action groups.

BORROWERS' PARTICIPATION IN NATIONAL PROGRAM

This boiling-up in the action group minutes of borrowers' ideas to the Washington office and the seeping-down of the best of these ideas from Washington to the borrowers, will enable the Farm Security Administration to:

1. Plan a national C and C S program which, in reality, boils up out of the needs and experiences of low-income farmers, refined by the contributions of Farm Security Administration's technical staff.
2. Obtain the active participation of borrowers in carrying out its C and C S program.

This two-way process will enable "grass roots" borrowers to contribute their experiences to the development of a national C and C S program. There is no substitute for these contributions by borrowers. They actually experience the problems of rural poverty in their day-to-day living. They are doing more than any other group in the Nation to alleviate its ravages. Out of their experiences they have gained ideas which, in the aggregate, constitute the greatest resources this Nation possesses in its campaign against rural poverty. The use of action groups and the minutes of action groups as outlined above will enable the Farm Security Administration to utilize their experience, in addition to that of the Farm Security Administration staff, both in planning and carrying out its C and C S program.

CHAPTER III

HOW COOPERATIVE PRINCIPLES VITALIZE C AND C S METHODS

Most C and C Services are distinguished from other action methods by use of the following cooperative principles:

1. Continuous education in cooperative action.
2. Open membership.
3. Democratic control, one member - one vote.
4. Limited interest on invested capital.
5. Sound business practices.
6. Savings returned to members in proportion to their patronage.

C and C Services which follow these rules are true cooperatives, but those which do not are only community services.

These principles give the C and C S method certain advantages over other methods. In order for borrowers to realize fully these advantages they must understand the following:

1. "Why" cooperative principles give the C and C S method advantages over other action methods.
2. "How" the C and C S method uses cooperative principles.

Most borrowers depend upon the supervisor for this information.

"WHY" COOPERATIVE PRINCIPLES

Cooperative principles are of value only to the extent that they make human action effective in satisfying human needs. A simple analogy brings out this fact.

An individual has the need to tighten a pipe. He clasps a pipe wrench on it, then he pulls the end of the wrench. If the wrench were made of flexible rubber his action would be ineffective. Because the wrench is made of iron his action is effective in satisfying his need.

Cooperative principles gain their value in a similar manner. They are the iron wrench, not the rubber one. Several individuals recognize that they have a common need. They act together in a C and C S. Their action gains its effectiveness from the cooperative principles of which the C and C S is built. The principles have value only in terms of their effectiveness.

There is one essential difference in the above analogy. The iron in the wrench does nothing more than utilize the action upon its handle in turning the pipe. Through its use of cooperative principles the C and C S not only utilizes human action in effectively satisfying human needs, but also develops the potential capacities of those individuals to act. It develops their capacities through a continuous program of education both for its officers and its members.

The supervisor must be careful to always point out the above reasons why cooperative principles give the C and C S method advantages over other action methods. These principles are extremely easy for anyone to understand when this is done. But, unless their value in both utilizing and developing human action in effectively satisfying human needs is made clear, the principles become too vague and mysterious for borrowers to understand how they may benefit from them.

FIRST PRINCIPLE - EDUCATE CONTINUALLY

When individuals in a group discover that they have a common need they often do not know how they may work together to satisfy it. In recognition of this fact the first cooperative principle is that of educating such individuals in the organization and use of the cooperative method.

When the cooperative is organized its members and officers become its owners. Ownership carries opportunities and responsibilities. The more an owner knows about his business the better are the chances that he will make a success of it. This is true whether the business is owned by one person or by many persons. To make a cooperative enterprise successful, it is necessary for its members and users to learn not only what cooperative principles mean in theory, but also how they work in practice. It is important that they learn to understand the problems of their cooperative business and how they, as members and users, can help to make it yield the greatest service at the lowest cost. This means that the management must keep the members informed concerning the enterprise and its problems in order to enlist their active participation and loyal support.

Members who are well informed are in a better position to get their neighbors interested in joining their cooperative so that it will grow and yield greater benefits to all.

HOW A C AND C S EDUCATES ITS MEMBERS

The Farm Security Administration urges every C and C S to conduct a definite educational program for its members and officers. Its supervision is designed to assist in carrying out such an educational program. (See Chapter VIII).

SECOND PRINCIPLE - OPEN MEMBERSHIP

Membership in a cooperative should be open to anyone who can use its services. Ordinarily the more user-members a cooperative has the more economically it can operate. The more economically it operates, the greater are the benefits to each user-member and to the community as a whole.

"HOW" C AND C S USES OPEN MEMBERSHIP

C and C S must restrict their use of the open membership principle, due to the fact that Farm Security Administration financial assistance can be extended only to farmers who are unable to obtain adequate credit at fair rates elsewhere. Since C and C S obtain financial assistance from the Farm Security Administration, they can open their membership only to borrowers and to such other farmers as are required to operate their enterprise at its maximum efficiency.

THIRD PRINCIPLE - DEMOCRATIC CONTROL

Our form of government is democratically controlled because each citizen has only one vote, regardless of how rich or how poor he is. Cooperatives carry this political principle over into economic organizations.

The ordinary business corporation operates on a different basis. The stockholder who owns the largest number of shares of voting stock has the largest number of votes. Each share of voting stock is entitled to one vote. It is also a common corporation practice for a few people to try to get hold of other stockholders' votes by collecting "proxy" votes. A few stockholders may gain control over the entire corporation and run it for their own exclusive benefit, without giving any consideration to the many small stockholders.

In a real cooperative each member has one vote and one only. This places control of the enterprise in the hands of the majority of its members, each voting as an individual rather than as an investor. Men and women, not money, control the cooperative. It is an association of human individuals rather than of money.

"HOW" C AND C S PRACTICE DOMINATES CONTROL

The C and C S policy reads: "Control (is) vested in the membership on the basis of only one vote for each member and proxy voting prohibited unless such prohibition is not permitted by law."

The organizational structure of the C and C S therefore gives to the members of all C and C Services the right to control their own enterprise on the "one member - one vote" principle.

Not all members of C and C Services recognize the importance of their voting privileges. If members of a C and C S service do not carry out their voting privilege, do not come to members' meetings, and do not bother about how their cooperative is being run, they have only themselves to blame if it is not operated to suit them. It takes the active interest and participation of all members to provide sound economic management and to make the cooperative enterprise successful. That is why continuous education is important.

FOURTH PRINCIPLE - LIMITED INTEREST ON INVESTED CAPITAL

In the operation of a cooperative, necessary capital is hired just like labor at a regular wage which, in this case, is called interest. Because the cooperative is operated for the benefit of its user-members and not for the benefit of those who have invested their money in it, the interest is limited to a rate regarded as a fair wage for capital. This rate seldom exceeds 6%.

This limitation upon interest prevents the benefits of the cooperative's operation from going as profits to a small group of investors. Instead, any earnings or savings which the cooperative makes belongs to the user-members whose patronage has made them possible.

"HOW" C AND C S LIMIT INTEREST

The Farm Security Administration furnishes much of the capital required to establish a C and C S by making participating loans to borrowers or directly to the C and C S. It gets only 3% on all C and C S loans except those of the master-borrower type on which it receives 5%. The Farm Security Administration wants no profit out of the cooperative. Its only purpose in helping borrowers finance their C and C S is to enable them to have the opportunity of working together to solve problems which they could not solve individually.

FIFTH PRINCIPLE - CASH TRADING

Any dealings a member may have with his cooperative must be strictly on a cash basis. Of the cooperatives that have failed, more failed because they did not stick to this principle than for any other reason. They extended so much credit that they could not pay their bills.

"HOW" C AND C S PROVIDE FOR CASH TRADING

The Farm Security Administration policy reads: "Local (C and C S) associations shall sell goods and services only for cash."

SIXTH PRINCIPLE - PATRONAGE DIVIDENDS

Any gains of the C and C S rightfully belong to its user-members because their patronage has made them possible. In a cooperative enterprise any net surplus which is not needed for reserve or for paying off loans or other obligations is considered as an overpayment by the member patrons themselves. It is returned to them as dividends in proportion to their patronage.

The surplus is not a profit when it is distributed to members as patronage dividends. All they are getting back is the difference between what they have paid for the service and what it actually cost to supply that service. They are getting back a part of their own money.

"HOW" C AND C S DISTRIBUTE SAVINGS

The Farm Security Administration policy reads: "Net income above the amounts required for operating expenses, payment of indebtedness, operating and other necessary reserves, and payment of limited interest on capital, will be distributed to the member and non-member patrons in proportion to their contribution to such earnings."

This policy insures the use of the cooperative principle of patronage dividends in the operations of all C and C S.

HOW TO DEMONSTRATE COOPERATIVE PRINCIPLES

The supervisor may translate these cooperative principles into action which borrowers easily understand by using a simple demonstration at any type of meeting. The supervisor begins the demonstration by holding up five five-cent candy bars. He explains to the borrowers that because he bought all five bars in one purchase he only paid the wholesale price of three cents per bar for them instead of the retail price of five cents which five different buyers would have paid. He offers to sell the candy to the group at the wholesale price if they will make their purchases upon cooperative principles.

The group elects a buying committee of three borrowers. They must raise 15 cents to make this purchase. They do this by selling 5 pieces of paper, each of which represents a three-cent share in a cooperative purchasing and marketing association. Each buyer of one or more shares becomes a member of the association.

The members vote, - only one vote per member regardless of whether he has more than one share - to pool their purchases. The buying committee buys the five bars of candy from the supervisor at its wholesale price of 15 cents. Then members and non-members buy the candy from the committee at five cents a bar. The association has 25 cents as "cash-on-hand," 10 cents of this amount representing savings on its business.

The members take their second vote. This time they vote to pay one cent as interest on each share for the use of the capital the share represents. (In a cooperative this interest never exceeds 6% and is seldom more than 3%). The interest is paid to the holders of the pieces of paper, each representing a share.

The members take their third vote. They vote to distribute the savings to the buyers who have effected those savings. One cent per bar is therefore paid to the buyers of the candy as a patronage dividend.

The members then vote to liquidate their cooperative purchasing and marketing association. The remaining 15 cents is paid out to "liquidate" the membership stock.

DEVELOPMENT OF COOPERATIVE PRINCIPLES

The above cooperative principles have been developed through experimentation, by the trial and error method. The idea of mutual self-help on an organized basis is more than 100 years old. During the first 50 years after 1800 a number of attempts to set up cooperatives were made in England and America, but practically every one of them ended in failure for one reason

or another. They could not find the formula that made success possible. At last, in 1844, a small group of poor weavers in the textile mills of Rochdale in England got on the right track.

With a capital of \$140, which represented a whole year's savings of the 27 men and one woman, these weavers started a little cooperative store. It grew, until in 1934 it had a membership of more than 40,000 families and was worth nearly \$3,000,000.

The success of this cooperative caused other people who wanted to solve common problems by working together to study and adopt the rules or principles that had made the Rochdale cooperative successful. Today these cooperative principles, or "Rochdale Principles", as they are sometimes called, are recognized and used by cooperatives throughout the world.

THE COOPERATIVE MOVEMENT

THE COOPERATIVE MOVEMENT IN THE UNITED STATES

A world-wide cooperative movement has been built upon these principles. It is about 100 years old and now includes 100,000,000 families in 40 nations. The Farm Credit Administration recently made a national survey of farmers' cooperatives and found over 15,000 of them, with members doing an annual business of more than \$2,800,000,000. Detailed figures for 4,000 American farmers' cooperatives showed that they saved their members \$25,000,000 in the year 1936 alone. Besides what they added to their reserve, these farmers have learned that it pays to cooperate.

TYPES OF BUSINESS

About one-third of the cooperatives purchased farm supplies cooperatively, such as feed, seed, fertilizer, gasoline, tractors and other equipment. The others were processing marketing cooperatives, handling for their members fruits and vegetables, grain, dairy products, poultry products, cotton, wool and livestock. Many of the marketing cooperatives also saved their members money by buying some of their farm supplies cooperatively.

CHAPTER IV

HOW BORROWERS FINANCE THEIR ACTION IN A C AND C S

ACTION IN A C AND C S REQUIRES MONEY

The practical results of borrowers getting together and gaining and understanding of a common need usually depends upon their ability to finance group action.

How much does it cost? This is a question which borrowers' circumstances force them to raise about any proposed method of working with others. The cost of organizing and operating a C and C S often determines their interest in it. If its cost seems too high, they reject it. If its cost is not prohibitive, they continue their investigation of it.

Where can I get the money? This is an equally important question with borrowers. They may be convinced that a C and C S method of solving a problem is better than any other method. They may want to use it, but in order to do so, they must raise the required amount of money.

Borrowers raise the money required for working with others in a C and C S by:

1. Using their own resources.
2. Borrowing from the Farm Security Administration.

BORROWERS USE OWN FINANCIAL RESOURCES

Borrowers should use their own resources to the greatest possible extent in organizing and operating a C and C S. The effort an individual makes to do this often indicates the following things:

1. His understanding of his need for working with others in a C and C S.
2. The sincerity of his decision to work with others in a C and C S.
3. His willingness to accept membership responsibility in a C and C S.
4. The extent to which he will participate as a member in operating a C and C S.

For these reasons C and C S policy (Instructions FSA 831.1) reads:

"The individuals who will participate in cooperative enterprise, as participants in a service or as members of an association, shall make . . . as much of the . . . capital contribution . . . out of their own resources as is possible under the circumstances of each case.

"The amount of the capital contribution which will be required of the individual in each group (C and C S) enterprise shall be determined from an analysis of their individual financial condition, the direct and indirect benefits which will accrue from membership in the association and the cooperative capital needs of the (C and C S) for operating expenses, fixed assets and other purposes." (Section VI F).

These policy provisions require a supervisor to impress upon the borrowers the necessity of doing as much financing as possible for themselves instead of depending upon loans from the Farm Security Administration. By thus inducing the borrowers to put some of their own money into the organization of a C and C S, the supervisor helps them lay the foundation for the eventual ownership and control of their service. All supervision for C and C Services is directed toward this objective.

CONTRIBUTIONS OTHER THAN CASH

Many borrowers lack cash resources out of which they can make contributions. To deal with such cases, the C and C S policy reads:

"Where labor, materials, supplies or other items of value are needed by the (C and C S) and the membership requirements permit contributions in such . . . form, contributions in form other than cash will be encouraged in order to obtain a personal investment by the members." (Section F).

Most C and C Services offer opportunities for contributions in labor, materials, supplies or other items of value. In one county, borrowers organized a cold storage locker plant. Many of them did not have the money with which to make cash contributions required of members in this particular C and C S. Therefore, some of them contributed labor in building the locker plant. Others furnished lumber. They were given full cash credit for their labor and lumber, figured at the market value of each, as their membership contributions. In this way all of the members of this C and C S were able to make contributions out of their own resources even though some of them lacked the necessary cash.

"NO-FUNDS" C AND C S

Borrowers have organized and are now operating what the Farm Security Administration designates as "no-funds" C and C S. The supervisor gets borrowers together, stimulates them to recognize a common need and helps them decide to work together in satisfying it. Their need may be for the service of a lime spreader. The supervisor knows that a nearby farmer has a spreader which he has bought out of his own resources or with a standard RR loan. Therefore, he suggests to the group that they contact this owner and work out an arrangement with him for using his spreader. The owner agrees to let his neighbors acquire a part ownership in the spreader in such a way that they would not need to borrow from the Farm Security Administration. The supervisor assists them organize a C and C S to execute this agreement. But no Farm Security Administration funds would be used in organizing the C and C S to operate the spreader.

C and C S policy makes the following provision for the establishment of "no-funds" C and C S:

"RR and low-income families should be encouraged to solve as many of their problems as possible in this (no-funds) way." (Section XVII A).

Furthermore, C and C S policy states:

"Supervisors should make available to (no-funds) C and C S the same types of forms and agreements they will use where loans are made to aid them in planning their organization and operating program. Such groups will offer supervisors an opportunity to render supervisory assistance to families who are working together on their own resources to solve their mutual problems." (Section XVII B).

These two quotations express a fundamental policy. The Farm Security Administration makes C and C S loans for the primary purpose of enabling borrowers to obtain advantages of working together which would otherwise be denied them. Wherever this purpose can be carried out without making loans, the Farm Security Administration still offers borrowers the full use of its supervisory assistance. It measures the value of its C and C S program, not in terms of the loans made, but in terms of the needed services it enables borrowers to provide for themselves by working together.

BORROWERS FINANCE C AND C S WITH FSA LOANS

When borrowers are unable to raise the required funds either from their own resources or from agencies other than the Farm Security Administration, they may apply to the Farm Security Administration for a loan to meet this need.

The Farm Security Administration makes C and C S loans for the following purposes:

1. For Facilities. To finance the purchase of land, buildings, equipment, or other facilities or acquire any other interest therein for the rehabilitation of low-income families. (Section VIII A).
2. For Operating Capital. "The Farm Security Administration will provide normal operating capital for cooperative enterprises. In some instances cooperatives will need operating capital in relatively large amounts for short term seasonal operations. If such needs may be made through commodity loans secured by commodities only, cooperatives will be encouraged to take care of such needs through other credit agencies." (Section VIII B).

The Farm Security Administration makes the following types of C and C S loans

1. To individuals:
 - a. Joint ownership loans.
 - b. Participation loans.
 - c. Master borrower loans.
2. To C and C S Associations:
 - a. Director association loans.

JOINT OWNERSHIP LOANS

"Joint ownership loans are those made to each of two or more eligible individuals to acquire and own jointly a piece of equipment or other facility." (Section VII A)..

This type of loan is made when borrowers decide to organize a C and C S for the purpose of operating such equipment as that of grain drills or combines. The loans are usually made in equal amounts to participants, each of them buying with the loan a partnership interest in the facility. Such a C and C S is seldom incorporated. Its members operate it as a partnership.

PARTICIPATION LOANS

"Participation loans are those made to eligible individuals to finance their purchase of membership (in a C and C S), through payment of a membership fee, purchase of common stock or other membership contribution as provided in the by-laws in existing or new cooperative associations, whether incorporated or unincorporated." (Section VII B).

This type of loan is most commonly used by borrowers to obtain the advantages of participating as a member in such cooperatives as those which operate grain elevators, cotton gins and oil stations. These cooperatives are organized as either incorporated or unincorporated associations. In an unincorporated association members acquire a partnership interest in physical facilities. In an incorporated association, on the other hand, the members have an equity in the association which owns these facilities.

MASTER BORROWER LOANS

"Master borrower loans are those made to a single eligible individual to acquire, own and operate, in his own name, a piece of equipment or other facility for the service of two or more individuals. Master borrower loans should not be made where needed services can be established on a joint ownership basis. Master borrower loans shall be made only as an exception and not as a rule." (Section VII C).

The C and C S which borrowers organize with a master borrower loan is not a cooperative. It is a community service but not a cooperative service. One person owns the entire service rather than the group. Because he owns it, this individual may, at his own discretion, exercise full control over the service without sharing with other users a part of his exclusive right to control it. The fact that one owner has full control defeats one of the primary purposes of a C and C S, which is that of helping low-income farmers provide needed services for themselves under their joint and equitable control.

The master borrower C and C S, on the other hand does provide borrowers with the means of acquiring a community facility. As such it has a place in the Farm Security Administration's rehabilitation program. In most cases, however, a C and C S may be established with joint ownership loans to serve the same purpose as those established with master borrower loans, and with many added advantages.

Every effort should be made to help borrowers understand that through joint ownership they gain a control over a needed service which master borrower ownership denies them. Some of them will not be interested in such control. They do not recognize that the lack of control over the services they have needed in the past has been a major factor in reducing them to their present helplessness. The control which they gain in a joint ownership C and C S may not seem important to them. In itself it isn't important. But, as a first step in learning to exercise control over such needed services as joint ownership affords, it is extremely important.

For these reasons the supervisor should discourage borrowers from applying for master borrower loans and should not recommend their approval unless the establishment of the C and C S under joint ownership is entirely impractical.

DIRECT LOANS TO COOPERATIVE ASSOCIATIONS

"Loans may be made directly to (cooperative) associations." (Section VII D).

When such loans are made the association must be financed by "a combination of individual capital contributions and a loan direct to the association." (Section VI G).

"In those cases where the association owns or will acquire physical property . . . the association should be financed in part through a direct loan. This will afford the Farm Security Administration the legal means of obtaining control, through a loan agreement and mortgage, over management and operating policies for the protection of the interest of the members and the Government." (Section VI G 2).

"In some cases, especially where the association will not acquire or own any physical facilities, . . . a large part or all of the needed capital will be provided through individual capital contributions." (Section VI G 1).

STANDARD LOANS POOLED IN C AND C S

In addition to using the Farm Security Administration loans of the joint ownership, participation, master borrower, and direct types, borrowers often finance their C and C S with funds obtained as standard loans. In a purchasing and marketing association, for example, they pool certain amounts of their

standard loans to obtain lower prices on purchases than they could obtain by making similar purchases individually. (Section VII B 1).

Borrowers should make some capital contribution out of their own resources to a C and C S in which they finance their participation with standard loans just as they do in those which they finance with other types of loans.

Most of these C and C Services require such a contribution in the form of a nominal membership fee. In a purchasing and marketing association this fee is usually \$1.

ELIGIBILITY REQUIREMENTS FOR C AND C S LOANS

The Farm Security Administration requires the following eligibility in the making of C and C S loans: (Section X):

1. To individuals:

- a. Made only to persons who are eligible for financial assistance from the Farm Security Administration.
- b. Loans of more than \$50 must be supported by complete Farm and Home Management Plans.
- c. Loans of less than \$20 shall be made only to active standard borrowers.

2. To C and C S associations:

An association shall generally be considered as eligible for direct financial assistance from the Farm Security Administration if it meets the following requirements:

- a. It is rendering or will render services which will substantially contribute to the rehabilitation of Farm Security Administration borrowers.
- b. It is either composed of Farm Security Administration borrowers and persons eligible for rehabilitation assistance or a major portion of the services rendered by the association accrues to the benefit of such eligible members.
- c. It provides services or commodities needed by Farm Security Administration borrowers at a cost commensurate with the benefits.
- d. It provides evidence that it cannot obtain adequate financing for its proper functioning from the Farm Credit Administration or other public or private credit sources.

- e. It needs financial assistance in order to provide:
 - (1) Adequate capital.
 - (2) Competent management.
 - (3) An operating program conforming to sound business practices.
- f. It is organized and operated in accordance with the following cooperative principles:
 - (1) Membership control on the basis of only one vote per member and proxy voting prohibited.
 - (2) No discrimination against members on account of race, color, creed or economic status.
 - (3) Savings distributed to members in proportion to their patronage; patronage dividends accruing to non-member patrons being credited to the purchase of their membership before any distribution is made to them in cash.
 - (4) Open membership unless prohibited for administrative purposes.
 - (5) Operated on a cash basis.

RATE OF INTEREST ON LOANS

"Interest on all C and C S loans except master borrower loans shall be charged at the rate of 3% per annum." (Section XII).

Interest on master borrower loans shall be at the rate of 5%.

"All existing C and C S loans (including master borrower loans) may be renewed at their present rate of interest when such rates of interest are lower than the above established rates of new loans of similar types."

SECURITY FOR LOANS

"Security for all direct C and C S loans shall consist of a mortgage on the property acquired or operated with the proceeds of such loans.

"In the case of joint ownership loans, each borrower shall mortgage his undivided interest in his property to secure repayment of his loan." (Section XIII).

SUPERVISION AND CONTROL OF FSA-FINANCED C AND C SERVICES

"As a general policy the Farm Security Administration will render supervisory assistance only, and control will be vested in the members. This supervisory assistance should be a training process and should include ADVICE and SUGGESTIONS to the members and Board of Directors relative to management and operating policies in order to assist the members to exercise more effectively the control which is vested in them.

"The Farm Security Administration will reserve the right to approve the management and operating policies of (C and C S) enterprises financed in whole or in part with Farm Security Administration funds. This right will be exercised only where the management and business policies established by the members adversely affect the financial interest of the members or the government or where it is clear that the members of new organizations are not prepared to assume full control during the early stages of operation."

The official approving financial assistance to any cooperative enterprise will determine the extent and character of the right to be exercised in the Farm Security Administration to approve management and operating policies, and all matters relative to the exercise of that right. The amount of government funds involved, the best operating record of the enterprise, and the known ability of the members to exercise control should be governing factors." (Section VI, H 1, 2 and 3).

REPAYMENT OF LOAN

Farm Security Administration supervision of all types of C and C S loans will be designed to insure the following:

1. Minimum Annual Repayments.

- a. Loans used to acquire physical property should be repaid over a period not exceeding the estimated useful life of property. In order to do this the annual principal repayment installment should not be less than:
 - (1) The annual depreciation charge.
 - (2) The interest on the unpaid balance of the loan.
- b. Loans for annually recurring expenses shall be repaid annually.

2. Scheduled Repayments.

- a. The schedule of repayment should be based upon the applicant's prospective ability to repay not less than the minimum annual repayments, as evidenced by a carefully prepared budget. As an aid to facilitate payments as scheduled the borrower should authorize a per unit or a percentage deduction on commodities handled and service rendered by the C and C S. These deductions should be remitted to the Government monthly, quarterly, semi-annually or annually for application on the borrowers' indebtedness. (Section XI).

CHAPTER V

HOW BORROWERS ORGANIZE A COMMUNITY SERVICE

The term "Community and Cooperative Services" as used by the Farm Security Administration includes two distinct types of organization. The first is the Community Service to which this chapter is devoted. The second is the Cooperative Association which is dealt with in Chapter VI.

DEFINITION

The Community Service is one which has the following characteristics:

1. Provides a service needed by borrowers in a given community.
2. Is owned and operated as a partnership.
3. Uses as many cooperative principles as a partnership permits.

SERVICES PROVIDED

Borrowers are now working together in a Community Service to provide many needed services for themselves, including:

1. Sires: Boars, bulls, rams, jacks, stallions.
2. Land preparation, planning and cultivation equipment: Corn planters, cultivators, discs, grain drills, manure spreaders, seeders.
3. Harvesting equipment: Binders, combines, corn shredders, insulage cutters, mowers, potato diggers, threshers.
4. Land and water conservation equipment. Liming and marl mining, terracing, drainage, land clearance, wind erosion.
5. Home equipment: Sewing, canning (pressure cookers, sealers, etc.).
6. Miscellaneous equipment: Balers, blacksmithing, plant production (hot beds and cold frames), seed cleaning and treating, sheep dipping and sheep shearing, trucks and trailers.
7. Tractors.

ILLUSTRATED BY A COMBINE

A combine may be used to illustrate how borrowers organize a Community Service for the following reasons:

1. Many borrowers have obtained the services of a combine by working together in a Community Service which they could not have obtained individually.

2. It is owned and operated as a partnership.
3. It uses all of the cooperative principles that a partnership permits:
 - a. Owned jointly by its member-users.
 - b. One member - one vote.
 - c. Savings distributed to members as patronage dividends.
4. It makes full use of action groups, both as an approach to organizing and as the means of developing membership participation to increase the effectiveness of its operation.

STEPS IN ORGANIZING

Borrowers have used many approaches in organizing Community Services to operate combines. Each of them have certain advantages. However, the steps which they have proven to be most effective are as follows:

1. Borrowers get together in action groups, analyze their harvesting problems and elect delegates to find out how they may obtain the service of a combine.
2. Supervisor surveys the need in his county for combine services.
3. Delegates hold a meeting on either a county-wide or on a community basis.
4. Delegates report to their respective action groups.
5. Interested borrowers and others meet by communities, sign participation agreements and elect officers.
6. Supervisor processes necessary participation loans.
7. Officers meet and organize a Community Combine Service.

FIRST STEP - ACTION GROUP MEETINGS

The supervisor encourages all borrowers in his county to get together in action groups, as outlined in Chapter II. Members of the group are stimulated through discussion material or through the attendance of a supervisor at their meeting to discuss their common harvesting problems until they clearly understand their need for a combine. Upon the basis of this understanding they take the following action and record it in the minutes of the action group's meeting.

1. List the acreage of wheat for which each member needs the combine service.
2. Elect a delegate to investigate how they may obtain the services of a combine.
3. Set the date for either a regular meeting of the action group or a special meeting of the interested members to receive the delegate's report.

Copies of the minutes of this meeting will be sent, as usual, to the county supervisor.

SECOND STEP - SUPERVISOR SURVEYS NEED

Upon the receipt of an action group's minutes recording borrowers' need for a combine and their election of a delegate, the supervisor makes a survey of other borrowers' need for the same equipment. In the monthly discussion material he requests all other action groups in his county to discuss their harvesting problems, and to record in their minutes their need for a combine and the name of their delegate.

As he receives the minutes of the action group meetings, the supervisor watches for reports of action taken upon his request.

THIRD STEP - DELEGATES' MEETING

As soon as action group minutes show that enough acreage has been listed to justify the purchase and operation of a combine, the supervisor calls together the delegates who have been elected by the interested action groups in different sections of his county.

The following action is taken at the delegates' meeting:

1. The supervisor presents a list which he has compiled from the action group minutes of farmers who need the services of a combine showing the acreage which each has to harvest.
2. The supervisor explains how borrowers may provide the needed services by organizing a Community Combine Service and operating it upon cooperative principles.
 - a. Open membership to borrowers and as many other farmers as will be required to operate the combine at maximum efficiency.
 - b. Controlled by members of the service on the basis of one vote per member.
 - c. Provide services at the price which prevails within the community for the use of a combine.
 - d. Require payment for service in cash or toll, extending no credit.
 - e. Return saving in operation, less reserves, to members in proportion to their patronage at the end of each harvest season.
 - f. Develop an "Annual Operating Plan" to insure the use of sound business practices.

This plan will include:

- (1) Budget of income and expense, showing that the service will have sufficient annual income to:
 - (a) Pay all operating expenses.
 - (b) Provide adequate reserves.

- (2) Plan for providing harvesting service with the combine.
- (3) Plan for getting each member to assume individual responsibility for the success of the service.
- g. Obtain a competent manager of the service.
- h. Maintain adequate records in a "Record Book" which the Farm Security Administration furnishes.
3. Estimate the amount of individual investments that will be required from members to buy a combine.
4. The supervisor explains how needed funds may be borrowed by eligible families from the Farm Security Administration. (See section on Participation Loans, Chapter IV).
5. If more than one combine is required, the delegates plan how each combine can be operated by borrowers who live in a clearly defined community to serve the needs of that community.
6. Plans are made to hold a meeting in each community of interested action group members and their neighbors to take further action.
7. Delegates agree to notify the interested members of their action group of the meeting in their community and urge them to attend.

FOURTH STEP - DELEGATES REPORT TO THEIR ACTION GROUPS

Following their meeting with the supervisor each delegate will meet with his respective action group to do the following:

1. Report the proceedings of the delegates' county meeting, explaining how borrowers may obtain the use of a combine by organizing a Community Combine Service and giving estimated cost per acre for such service.
2. Obtain pledges of acreages from members of the group. The delegate may have to make calls upon borrowers or non-borrowers who are not present at the meeting to complete his list of pledges.
3. Announce the date of the community meeting where further action will be taken on obtaining the services of a combine.

FIFTH STEP - BORROWERS COMMUNITY MEETING

The community meeting of interested borrowers and their neighbors is held on the date which was scheduled at the delegates' meeting, the supervisor acting as chairman. The following order of business may be used:

1. Delegates report the amount of acreage pledged by members of their respective action groups.
2. Discussion of essential points in the operation of a Community Combine Service.
3. Supervisor gives technical advice on feasibility of organizing such a service.
4. The group votes whether to organize a Community Combine Service.
5. Potential members sign "Participation Agreements".
6. Potential members elect officers.

SIXTH STEP - SUPERVISOR PROCESSES LOANS

The supervisor processes loans for the funds which eligible farmers need to participate in the Combine Service. (See section Participation Loans, Chapter IV).

SEVENTH STEP - OFFICERS ORGANIZE THE COMMUNITY SERVICE

As soon as possible after the borrowers' community meetings, the newly elected officers hold their first meeting. At this meeting, with the help of the supervisor, they take the following action:

1. Develop a final "Annual Operating Plan" including:
 - a. Budget of income and expenses.
 - b. Plan for operating the Combine Service.
 - c. Plan of developing membership participation.
2. Make plans to purchase the combine.
3. Select the custodian or manager of the combine.
4. Determine the amount of the treasurer's bond, forwarding application for it to the regional office.
5. Adopt record book.
6. Make plans to operate the combine.

CHAPTER VI

HOW BORROWERS ORGANIZE A COOPERATIVE ASSOCIATION

The term "Community and Cooperative Services" as used by the Farm Security Administration includes two distinct types of organization. The first is the Community Service which has been discussed in Chapter V. The second is the Cooperative Association to which this chapter is devoted.

DEFINITION

A cooperative association is one which has the following characteristics:

1. Provides a service needed by its members.
2. Is owned and operated by its members as an association, either incorporated or unincorporated.
3. Uses cooperative principles.

SERVICES PROVIDED

Borrowers are now working together to provide needed services in many types of Cooperative Associations, including:

1. Purchasing and marketing associations: Buying feed, fertilizer, chicks, seeds, fruit jars; selling cotton, dairy products and all types of farm produce.
2. Livestock insurance associations.
3. Land leasing and purchasing associations.
4. Gasoline and oil associations.
5. Cotton gin associations.
6. Grain elevator associations.
7. Cold storage associations.
8. Feed and grist mill associations.
9. Water facility associations.
10. Veterinary associations.
11. Forest products associations.

ILLUSTRATED BY A PURCHASING AND MARKETING ASSOCIATION

A purchasing and marketing association serves to illustrate how buyers organize a Cooperative Association for the following reasons:

1. It provides a service needed by its members:
 - a. All borrowers use part of their Farm Security Administration loan to make purchases and all of them derive income from selling farm products.

- b. Farm Security Administration policy in regard to such associations may be stated as follows:

"The services of a purchasing and marketing association will be made available to all borrowers by July 1, 1942."

2. It is owned and operated by its members as an association.
3. It uses all cooperative principles, except that of open membership.
4. It makes full use of action groups, both as an approach to organizing and as a means of developing membership participation to increase the effectiveness of its operation.

STEPS IN ORGANIZING

Borrowers have used many approaches in organizing purchasing and marketing associations. Each of them have certain advantages. However, the steps which they have proven to be most effective are as follows:

1. All borrowers get together in action groups and elect delegates to investigate solutions to their purchasing and marketing problems.
2. Delegates hold a county-wide meeting.
3. Committee of delegates surveys purchasing and marketing facilities offered by existing cooperatives.
4. Delegates report to their respective action groups.
5. Borrowers who are interested in a purchasing and marketing association hold a county-wide meeting, electing incorporators.
6. Supervisor files application to organize a purchasing and marketing association.
7. Incorporators meet to make application for a purchasing and marketing association charter.
8. Incorporators meet, after receipt of the charter, to organize the purchasing and marketing association, electing directors.
9. Directors meet to begin operating the purchasing and marketing association.

FIRST STEP - ACTION GROUP MEETINGS

The supervisor encourages borrowers throughout his county to get together in action groups. Chapter II outlines how to do this. Members of the groups are stimulated through discussion material or through the attendance of a supervisor at their meeting to discuss their common buying and selling needs until they clearly understand those needs. Upon the basis of this understanding, they take the following action at a meeting of each action group:

1. Vote whether or not they want to investigate further the advisability of working together with members of other action groups in a purchasing and marketing association to solve their buying and selling problems.
2. Elect a purchasing and marketing delegate to represent their group in making such an investigation.
3. Set the date for a regular or a special meeting of their group to receive the report of their purchasing and marketing delegate.

SECOND STEP - DELEGATES' MEETING

As soon as the action groups have elected purchasing and marketing delegates, the RR and HM supervisors shall call a county-wide meeting of these delegates. The following action should be transacted at this meeting:

1. Delegates report the interest of their action groups in obtaining the services of a purchasing and marketing association.
2. The supervisor presents recommended general policies which borrowers should use in the operation of a co-operative purchasing and marketing association.
 - a. Limit membership to Farm Security Administration borrowers, all RR, TP and RP borrowers being encouraged to become active members.
 - b. Provide for democratic control on basis of one vote per member, allowing no proxy voting unless required by state law.
 - c. Require members to pay prevailing retail prices for supplies purchased and to accept prevailing retail prices for farm and home products sold.
 - d. Conduct business on a cash basis.
 - e. Return savings in operation, less reserves, to members in proportion to their patronage at end of each fiscal year.
 - f. Develop an "Annual Operating Plan" to insure the use of sound business practices. This plan will include:
 - (1) Budget of income and expenses, showing that the association will have sufficient annual income to:
 - (a) Pay all operating expenses.
 - (b) Meet payments on indebtedness.
 - (c) Provide adequate reserves.
 - (2) Plan for conducting business.
 - (3) Plan of developing membership participation.

The Annual Operating Plan will be developed by all purchasing and marketing associations and they will agree to follow approved plans each year.

Where loans are made to families for participation the plan will be approved by the district supervisor and forwarded to the regional office for analysis. Where loans are made direct to the association, the plan will be forwarded to the regional office for approval with the recommendations of the district supervisor.

- g. Require the payment of a membership fee to provide sufficient funds for organization and initial operation, the amount of the fee
 - (1) Determined by
 - (a) Capital need of association for operating expenses and fixed assets.
 - (b) Ability of members to pay.
 - (c) Benefits to be derived from membership in the association.
 - (2) Obtained from
 - (a) Income or resources of members.
 - (b) Loans or grants from Farm Security Administration.
 - h. Obtain competent management.
 - i. Maintain an adequate system of records which are audited annually or more often upon request.
 - j. Make regular reports to members at quarterly meetings and at special meetings when requested.
 - k. Develop a membership participation program, financing it with an educational fund which the board of directors establishes as part of the regular operating budget.
 - l. Expand continually into new fields of needed services as requested and financed by members.
3. The supervisor explains how borrowers may use existing co-operatives by:
- a. Giving general information regarding the purchasing and marketing facilities offered in the county by existing cooperatives.
 - b. Giving the names and addresses of the cooperative's officers from whom the delegates may obtain detailed information.
 - c. Offering Farm Security Administration's assistance to borrowers in financing their membership and participation in existing cooperatives.
(See "Participation Loans", Page 37, and "Eligibility Requirements for Farm Security Loans", Page 39).

4. Delegates elect a committee to obtain detailed information regarding the purchasing and marketing services offered by existing cooperatives.

This step should be taken to carry out the Farm Security Administration policy which reads:

"RR and low-income families should be encouraged to participate in existing cooperative organizations, whether or not financed by the Farm Security Administration, where such organizations are in a position to satisfactorily meet the needs of the families and the requirements set forth immediately (Step Three) below." (Section V).

In some sections of the country existing cooperatives handle many of the supplies needed by borrowers and provide market outlets for some of the commodities they have to sell.

Many borrowers are already using some of these services. Others do not know that such services are available to them. In either case it is essential that borrowers determine whether or not the particular services they need can be obtained in existing cooperatives. Supervisors have the responsibility for helping them do this.

5. Delegates and supervisors agree upon the date for a county-wide meeting of all borrowers interested in cooperative purchasing and marketing.

THIRD STEP - COMMITTEE SURVEYS EXISTING COOPERATIVES

As soon as possible after it has been elected, the delegates' committee will meet with officers of existing cooperatives. The committee will not know these officers. Therefore, the supervisor must supply the committee with the names and addresses of officers of all cooperatives which provide purchasing and marketing services in the county. Furthermore, the supervisor must help the delegates make contacts with these officers.

When the delegates' committee meets with officers of existing cooperatives, it should take the following steps:

1. Explain to the officers the interest of action group members in buying certain supplies or in selling specific commodities cooperatively.

2. Determine the extent to which the existing cooperative furnishes its own members with similar services.
3. Determine whether existing cooperatives will extend their services to provide those specifically needed by borrowers.

Borrowers may need to buy and sell livestock. They may not be able to do this in the cooperatives in which they can buy seed or sell grain. If the delegates' committee explains this need of borrowers to the existing cooperatives, one of the cooperatives may decide to add a livestock service. The supervisor should encourage borrowers to give existing cooperatives this opportunity.

4. Determine whether the existing cooperative meets the following requirements which are set forth in FSA Instruction 831.1, Section 5:
 - a. Offers open membership free of inequitable restrictions to Farm Security Administration borrowers.
 - b. Vests control in its members on the basis of only one vote per member and prohibits proxy voting.
 - c. Permits all members to participate equitably in the services it renders.
 - d. Distributes savings to members in proportion to their patronage.
 - e. Operates on a cash basis.
 - f. Is assured of adequate capital, competent management and the use of sound business practices.

5. Request existing cooperatives to assist borrowers organize and operate a new cooperative to provide services which existing cooperatives neither offer nor will provide.

FOURTH STEP - DELEGATES REPORT TO THEIR ACTION GROUPS

Following their county meeting each purchasing and marketing delegate reports to his respective action group the following:

1. The proceedings of the delegates' county meetings.
2. The date of the county borrowers' meeting, where further action will be taken on obtaining the services of a cooperative purchasing and marketing association.

Each delegate should invite all members of his action group who are interested in obtaining the services of a cooperative purchasing and marketing association to attend this meeting. There will be families in some action groups who will not be interested. They should

not be urged to attend. It is much better for each family to exercise their free choice in this matter than it is for them to feel that they are high-pressured, even by their own neighbors, into showing an interest which they do not feel in cooperative purchasing and marketing.

FIFTH STEP - BORROWERS' COUNTY MEETING

The county-wide meeting of interested borrowers is held on the date which was scheduled at the delegates' meeting, the supervisor acting as chairman. The meeting may be conducted in accordance with the following order of business:

1. Purchasing and marketing delegates report the interest of their respective action groups in obtaining cooperative purchasing and marketing services.
2. Discuss essential points in the operation of a purchasing and marketing association, using candy-bar buying club to demonstrate those points. (Chapter III).
3. The delegates' committee reports the extent to which existing cooperatives offer borrowers their purchasing and marketing services or will add new services to meet borrowers' needs.
4. The supervisor explains that the Farm Security Administration will assist borrowers finance their membership and participation in existing cooperatives. (See "Participation Loans", Chapter IV).
5. Borrowers decide whether or not they will join the existing cooperative to make use of the purchasing and marketing services it offers.

This decision must be made by the borrowers themselves. The supervisor assists them join existing cooperatives only if that is their own decision.

6. Supervisors and representatives of existing cooperatives give borrowers technical advice on the feasibility of organizing a new purchasing and marketing association to provide needed services not offered by existing cooperatives.

The Farm Security Administration will not assist borrowers organize a cooperative association in competition with existing cooperatives. Only in cases where existing cooperatives neither offer nor will provide all the services

needed by borrowers will the Farm Security Administration encourage them to establish new cooperatives.

7. Borrowers vote whether to organize a cooperative purchasing and marketing association. Again this decision rests with them, the supervisor helping them to carry out their own decision.
8. Borrowers agree upon the amount of the membership fee.
9. Borrowers sign application for membership in the proposed association.
10. Borrowers elect incorporators to carry out their decision.
11. Incorporators elect a chairman.

SIXTH STEP - APPLICATION TO ORGANIZE

Following the county meeting at which borrowers have voted to organize the supervisor will prepare an application to organize a purchasing and marketing association. The district supervisor will forward this application to the Regional Director. It will contain the following information:

1. The number of action groups having members who are interested in participating, giving the number of active members in each group.
2. Evidence that the members of these groups have elected purchasing and marketing delegates, have attended a county-wide borrowers' meeting and at that meeting have recorded through their delegates their desire to establish a purchasing and marketing association to buy or sell a proposed list of supplies or commodities.
3. The number of applications for membership in the proposed association, showing that funds will be available from membership fees to pay the expenses of organizing. These include charter fees in case the association is to be incorporated, cost of bookkeeping supplies, forms and incidental expenses.

The application to organize a purchasing and marketing association will be reviewed in the regional office. If it is approved, the district supervisor will be authorized to proceed with the organization. Also, he will be furnished with the necessary forms. If the application is not approved, he will be advised of the steps necessary to perfect the application in order that it may be approved.

SEVENTH STEP - INCORPORATORS' CHARTER MEETING

After the regional office has approved the application for organization, the chairman of the incorporators will call them together to take the following action:

1. Read and discuss the regional office's recommendation of whether the association should or should not be incorporated.
2. Read and discuss the model by-laws. The regional office will send the by-laws for either an incorporated or unincorporated purchasing and marketing association with its approval of organization.
3. Sign the articles of incorporation, when necessary, in accordance with instructions furnished by the regional attorney.
4. Raise necessary funds if the association is to be incorporated through membership fees to cover costs of filing articles of incorporation.
5. File articles of incorporation if the association is to be incorporated with proper state official in accordance with instructions from Regional Attorney.

EIGHTH STEP - INCORPORATORS' ORGANIZATION MEETING

After obtaining the charter, the chairman of the incorporators will call a meeting of incorporators to organize the purchasing and marketing association. They will take the following action at that meeting:

1. Elect temporary chairman and secretary.
2. Read, discuss and adopt the by-laws, taking sufficient time to answer questions.
3. Take membership applications to which are attached the membership fee.
4. Elect directors unless the first board has been provided in the articles of incorporation.
5. Set date for first meeting of directors.

NINTH STEP - DIRECTORS' MEETING

The first directors' meeting should take the following action:

1. Elect temporary chairman and secretary.

2. Elect officers.
3. New officers take charge of meeting.
4. Develop "Annual Operating Plan". (See Page 49).
5. Determine amount of treasurer's bond, forwarding application for it to the regional office.
6. Select bank, insured by Federal Deposit Insurance Corporation, for deposit of funds.
7. Approve membership application form supplied by the regional office.
8. Approve membership certificate form supplied by the regional office.
9. Vote on membership applications received to date.
10. Approve payment of organization expenses.
11. Adopt model system of bookkeeping supplied by the regional office.
12. Adopt and authorize purchase of forms necessary for buying and selling activities.
13. Make plans for giving all Farm Security Administration borrowers in the county an opportunity to join the association.
14. Adopt and order a seal for the association.
15. Make plans to determine members' needs and to obtain their orders to buy and sell.
16. Operate the association to purchase supplies and to market commodities.

CHAPTER VII

WHY THE FARM SECURITY ADMINISTRATION SUPERVISES A C & C S

Every supervisor realizes that the Farm Security Administration's supervision of C and C S is extremely important. He wants to know how he can increase its effectiveness. But it will be difficult, if not impossible, for him to learn "how" to do this unless he first gains a clear understanding of "why" supervision is so important.

"WHY" SUPERVISION

There are two basic "whys" of C and C S supervision:

1. To help borrowers develop a C and C S as a vehicle of rehabilitation.
2. To protect the financial interest of both the members and the Government.

SUPERVISION TO DEVELOP A VEHICLE OF REHABILITATION

The Farm Security Administration supervises a C and C S primarily to help borrowers develop it as a vehicle of rehabilitation. Borrowers must advance from the helplessness of their poverty to the strength of rehabilitation. They can make a part of this advance individually. They have proven that by working together in a C and C S they can advance further than they could through individual action. But, their need to advance much further than they have to date is indicated by the failure of some of them to show increase in net worth. They have not yet completed the development of the vehicle, or the means, of advancing all the way from their helplessness to a status of rehabilitation. Supervision is designed to help them develop in a C and C S that vehicle.

Such supervision must be based upon the clear recognition that the vehicle of rehabilitation which borrowers may develop in a C and C S is composed of the three following elements:

1. Services needed for rehabilitation.
2. Control of those services.
3. Ownership that insures membership control of the services.

Each of the elements bear an inseparable relationship to the other two. A farmer may need the service of a combine. By paying his neighbor who owns a combine a certain fee he may control the use of the combine long enough to get its service to satisfy his need. But, so long as his neighbor owns the combine he can never be certain whether he can, by fees alone, exercise sufficient control over its use to satisfy his needs for the service. He must

own the combine wholly or in part, to gain such a control.

Supervision of a C and C S must help borrowers develop in their C and C S each of these three elements and integrate them into one vehicle of rehabilitation. Such supervision isn't difficult to administer. However, it requires for its effective administration a clear understanding of each of the three elements - service, control and ownership.

SERVICES NEEDED FOR REHABILITATION

The service which the C and C S provides is the primary elements in its operation. It is the element in terms of which both the control and ownership of a C and C S must always be measured. The primary importance of service provided in any C and C S can never be minimized by any amount of emphasis that is placed upon either control or ownership.

Every supervisor knows why the service provided in a C and C S is its primary element. The borrower who operates a small family type farm cannot compete with a large mechanized, highly efficient farm. His acreage is often not large enough to support a combine. The number of cows on his place may be too small to justify the individual ownership of a pure bred sire. Such a borrower can obtain the service he needs by working together with his neighbors in a C and C S which he could not obtain individually. Service, for this reason, must remain the primary objective of C and C S supervision.

EXTENSION OF SERVICE ELEMENT

In order to help borrowers provide services for themselves in a C and C S, the supervisor must do the following:

1. Help them establish new C and C S, and
2. Help them provide effective service in their C and C S.

There are two ways in which the supervisor can help borrowers establish a C and C S:

1. By urging the organization of a C and C S upon borrowers.
2. By stimulating borrowers to recognize their need for a C and C S so that they will request his assistance in establishing one.

Experience has proven that the second method is definitely superior to the first. Such proof has been provided by the operation of many C and C Services. When the supervisor has urged borrowers to establish a C and C S, many of them have not clearly understood the potential service which they could obtain from its operation. Consequently, they have not participated in making its operation effective. When supervisors, on the other

hand, have first stimulated borrowers to recognize their need for a C and C S to the extent that they request his assistance in establishing it, the borrowers have actively participated in its operation. The effectiveness of the C and C S increases in proportion to their participation.

Through participation in C and C Services, members discover the necessity of exercising control over its operations.

CONTROL OF A C AND C S

Through its one vote per member provision, a C and C S gives to its members the legal right to control its operations. They cannot exercise their control when the C and C S is first organized because they are not familiar with the technical details of its operation. For this reason the Farm Security Administration supervisor must assume and exercise for them a large part of their potential control. This is a definite responsibility which supervisors have recognized and willingly assumed. However, they have also recognized that because they must exercise this control the establishment of many C and C Services loads them up with the administrative responsibility.

Supervisors realize that they must, in some way, keep this load within reasonable bounds. They haven't the time to exercise control over all of the C and C Services in their respective counties even if they wanted to do so. They realize that unless the members of a C and C S have the potential capacities to eventually assume the responsibility for and exercise control over their own C and C S, the mere organization of a C and C S will prove of little value to them. They are anxious to help members assume full control over their C and C S.

Supervisors have learned that borrowers frequently make mistakes while learning to control their C and C S. It is too much to hope that they will not continue making such mistakes. But not all mistakes are made by borrowers. In some instances supervisors also reach a decision which the operation of a C and C S proves incorrect. The significance of such mistakes, whether made by borrowers or the supervisor, lies in the effect they have upon members.

Members are only too willing to exaggerate the supervisor's mistakes. They refuse to share with him any responsibility for them. Instead, they may use these mistakes to evade their own responsibility of control and to shift more of it to the supervisor. They take an entirely different attitude toward their own mistakes. When they reach a decision in the exercise of their control which the operation of their C and C S proves to be incorrect, the failure induces them to assume an increased responsibility for their own mistake. They immediately put their heads together in an

effort to reach a decision which is more nearly correct than their previous one. In this way mistakes that are made by borrowers have the effect of developing their capacities to accept and exercise more and more control over the operation of their C and C S.

Members who are prone to resent the control which the supervisor must at times exercise over their C and C S are often grateful to him for the opportunity of making their own decisions. This is a fact which must be given full consideration in supervising a C and C S. It arises from borrowers' helplessness. The supervisor represents to them the enormous power of the Government. To them he is the Government. Their helplessness tends to make them fear whatever control the supervisor exercises. They often regard his efforts to carry out his simplest responsibility for temporary control over their C and C S as dictatorial. The only way the supervisor can cope with this attitude is by convincing members that he is making a sincere and continuous effort to transfer the control of the C and C S to them just as rapidly as they can develop the capacities to assume it.

The success which the supervisor has in transferring the control of a C and C S to his members measures, in part, the effectiveness of his supervision. It must be supervision which helps members to become aware of the following:

1. A continually increasing control over the operation of their C and C S in terms of the service it provides.
2. An increasing extension of their control to the provision of other needed services.

OWNERSHIP LIMITS CONTROL

As members assume an increasing amount of control they will recognize that its exercise is frequently limited by the ownership of their C and C S. They will learn that the owner, whether governmental or private, often makes the final decision in the operation of a C and C S to protect his ownership interest. Frequently they resent such ownership control. This happens because of their limited understanding of ownership.

Supervision must also therefore help borrowers to understand the real significance of ownership and to develop their capacities to own their C and C S.

OWNERSHIP OF A C AND C S

At the time a C and C S is organized the Farm Security Administration, through participating or direct loans, often holds a mortgage ownership of most of its assets. In order to protect this ownership interest it must

exercise a certain degree of control over the operations. Through supervision it has the opportunity and responsibility to transfer this ownership to the members.

This transfer of ownership requires far more than getting members to pay off their loans. It often consists in the development in them of a new belief in ownership.

Many borrowers are afraid to own things. When they have reached out previously to gain ownership of land, equipment and services, they have often had their knuckles rapped. As a result, they have tended to become a withered indrawn people, believing that only the clipped and rootless things could be theirs - as buyers. They are on their way to disbelieve in ownership.

Supervision of C and C S must help such borrowers recognize that ownership is more than a title deed, that in its finest sense it is a projection of their own selves into the things that they value. It must help them develop the conviction that as potential owners they are the shapers, not the mere victims, of their future.

Ownership of this sort requires no argument to win the support of borrowers. Any supervision of a C and C S which strives to develop members' ownership as a mere repayment of loans will continue to be dreary, heavy stuff until the dead letter of ownership is quickened with borrowers belief that they can and must own the things they need and value.

Individual ownership of the services they need is beyond the reach of many borrowers. A C and C S offers them cooperative ownership of similar services. However, some borrowers are reluctant to become part owners of a cooperative. Supervision of their C and C S must help them understand that part ownership in a cooperative does not challenge the rights of private property. It insures these rights, by extending them to an increasing number of individuals.

Thus the effectiveness of supervision is also measured, in part, by the extent to which it develops capacities of members to own their C and C S.

SUPERVISION TRANSFERS A C AND C S TO ITS MEMBERS

Supervision of a C and C S cannot be administered to achieve three separate purposes - service, control and ownership - even though they are closely related. Supervision must unify these three related purposes into one dominating purpose. That purpose is the complete transfer of a C and C S to its members.

The transfer will be complete when members:

1. Provide in it services needed for rehabilitation.
2. Control its operation.
3. Own their C and C S.
4. Use the experience gained in their C and C S to provide other services through cooperative action.

The full purpose of Farm Security Administration's supervision can never be realized until the members of a C and C S possess it completely, free of dictation from all interests except their own. When they gain such possession, the C and C S becomes a most important vehicle of rehabilitation.

HOW CAN SUPERVISION ACHIEVE THIS PURPOSE?

Certain methods of supervising C and C Services to effect their complete transfer to members have been developed by supervisors. Several of these methods will be presented in the following chapter.

SUPERVISION TO PROTECT FINANCIAL INTERESTS

The financial reasons for supervising a C and C S are quite obvious. As a credit agency the Farm Security Administration has been given the responsibility by Congress to loan public funds to low income farmers. In permitting borrowers to use these funds to organize a C and C S it encourages them, as members of the C and C S, to incur certain financial obligations. Thus it adds to the responsibility given it by Congress, a definite responsibility to the members. The Farm Security Administration must, for purely financial reasons, therefore, supervise each C and C S to protect the interest of both the members and the Government.

CHAPTER VIII

HOW TO SUPERVISE A C AND C S

PURPOSE OF SUPERVISION

The purpose of C and C S supervision as explained in the preceding chapter is that of developing members' capacity to provide a needed service for their use which ultimately they will completely own and control. This purpose is carried out by supervision which does the following:

1. Uses the action group approach to help borrowers organize a C and C S. (Chapter II).
2. Trains officers of the C and C S to operate it efficiently.
3. Develops membership participation in C and C S.
4. Helps members federate their C and C Services.

TRAINING OFFICERS.

"WHY" SUPERVISION TRAINS OFFICERS.

Not all of the borrowers who work together to lay the foundation, even in an action group, for A C and C S grasp the details of its operation. At best many of them get only a general idea of these details. A few gain a clearer understanding. Others are believed by their group to have abilities of leadership. For these reasons, the potential members of a C and C S elect officers whom they feel combine the greatest amount of understanding with the necessary qualities of leadership.

These officers seldom have the ability to fulfill the duties of their offices at the time they are elected, even though they may have the potential capacities for doing this. In lieu of ability, they have a feeling of responsibility to the group which has elected them and a sincere desire to justify the group's confidence in their leadership. If the supervisor recognizes and properly develops this responsibility he will have little difficulty in helping officers to develop their potential capacities.

"HOW" SUPERVISION TRAINS OFFICERS

The training of officers is achieved by supervision which does the following:

1. Stimulates them individually or in groups to understand management problems.
2. Gives them technical information and advice about these problems.
3. Encourages them to make own decisions affecting management.
4. Helps them carry out their own decisions except in cases where supervisor feels positive that such decisions endanger the C and C S's operation.
5. Assists them evaluate the operation of their C and C S by using their experience to progressively improve their operating decisions and policies.
6. Stresses with them the importance of developing membership participation.

DEVELOPMENT OF MEMBERSHIP PARTICIPATION

"WHY" SUPERVISION DEVELOPS MEMBERSHIP PARTICIPATION

Membership participation consists, as the term applies, in the members of a C and C S taking the following action to make its operation effective:

1. Using their C and C S to meet as many of their needs as it adequately serves.
2. Encouraging other members to increase their use of the service. Most C and C Services have inactive members. It is important to develop their participation. Members can do this.
3. Soliciting new members.
4. Studying operating problems so that their participation may be based upon an understanding of them.

5. Attending members' meeting to contribute to the discussion and vote upon:
 - a. Development of the service.
 - b. Declaration of dividends.
 - c. Amount of educational fund.
 - d. Amount of reserves.
 - e. Election of officers.
6. Accept an office when elected to it and fulfill its duties to the best of their ability.

Membership participation is the element of a C and C S which distinguishes it from all other types of economic organization. The structure of a C and C S gives to each of its members the right to cast one and only one vote, regardless of their investment in it. It is through this means that members have the right to exercise a control over the C and C S which is denied them in other types of economic organizations.

The C and C S form provides for such membership participation because it is by their participation that members release their individual energy and ideas. These vitalize their C and C S organization. Furthermore, through their participation they also develop and utilize the potential leadership which exists in any group and which cannot be selected by any known method except that of actual participation.

Supervision which is designed to develop membership participation in a C and C S must stimulate members to do the following:

1. Understand the common need which the C and C S is operating to satisfy.
2. The C and C S method of satisfying that need.
3. The necessity for individual members to participate with others in their C and C S to make its operation effective.

"HOW" SUPERVISION DEVELOPS MEMBERSHIP PARTICIPATION

Supervision develops membership participation through the supervisor taking the following action:

1. Encourage members to meet regularly in action groups.
 - a. Supply action groups with discussion material which stimulates discussion and understanding of their C and C S's operating problems.
 - b. Attend action group meetings, upon request, to discuss C and C S operating problems.
2. Convince officers of the importance of developing membership participation so that they will:
 - a. Appoint a membership participation committee.
 - b. Hold members' meetings at least twice a year.
 - c. Plan and conduct members' meetings in such a way as to develop maximum participation in the meetings by members. At large meetings this may be done by organizing "huddles", (Chapter II), and making full use of discussion principles.

FEDERATING C AND C S

"WHY" SUPERVISION HELPS BORROWERS FEDERATE THEIR C AND C S

The resources of a single C and C S are often too limited to make its services effective. Federation of two or more C and C Services pool their individual resources, making the combined resources of those which have been federated available to each. A neighborhood buying group of 15 members often has difficulty in obtaining an order for garden seed which is large enough to effect a substantial saving in the purchase. By federating with ten other neighborhood buying groups to form a county purchasing and marketing association, having a membership of one hundred, an order is pooled which makes possible the advantages of purchasing in larger volume.

Many C and C Services have already federated. Such federations may be classified as follows:

1. Group Services federated into a Community Service C and C S.

One Group Service had a tractor and ensilage harvester. Another Group Service in the same community had a mower which had been operated with horsepower. The members of the two groups agreed to exchange the use of their respective equipment on the basis of predetermined fees. This type of federation pooled the services of the two Group Services, making that of each more effective.

2. Community Services federated into a county Cooperative Association.

Many community buying groups have federated into county-wide purchasing and marketing associations.

3. County Cooperative Association federated into state Cooperative Association. In several states incorporated county purchasing and marketing associations have federated into state purchasing and marketing associations. In this way they have effected great economies in operation.
4. State Cooperative Association federated into National or Area Cooperative Associations. Federations of this type have not yet been carried through even though several are now being planned.
5. C and C S of either type federated with units of the Cooperative Movement. Such federations have already been carried through:
 - a. Cooperative Associations have federated with independent purchasing cooperatives to obtain a supply of fertilizer, seed, feed and oil.
 - b. Cooperative Associations have federated with independent marketing cooperatives to obtain better outlets for cotton, dairy, and forestry products.
 - c. All types of C and C S have federated with independent local and regional cooperative associations to obtain the educational services which have been developed by independent cooperatives.

"HOW" SUPERVISION HELPS BORROWERS FEDERATE THEIR C AND C SERVICES

The supervisor takes the following steps in helping borrowers federate their C and C Services:

1. Stimulates members and officers of the C and C S to recognize their need of federation by:
 - a. Outlining advantages of federation in discussion material.

- b. By attending, upon request:
 - (1) Action group meetings.
 - (2) C and C S directors' meetings.
 - (3) C and C S members' meetings.
- 2. Arranging contacts between leaders of C and C Services and:
 - a. Other C and C Services.
 - b. Federations of C and C Services.
 - c. Independent cooperatives. This requires:
 - (1) Knowledge of independent cooperatives in areas.
 - (2) The person to contact in independent cooperatives.
- 3. Assist C and C Services develop and execute agreements of federation. Details of such agreements will be furnished by the regional office.
- 4. Assist C and C Services to comply with federation agreements with regard to financing, keeping of records, and operation.

ADVANTAGES OF FEDERATION BETWEEN C AND C S

Federation of C and C Services at the various levels listed above helps borrowers do the following:

- 1. Increase the effectiveness of the service provided by their C and C S by:
 - a. Reducing operating costs.
 - b. Increasing quality and availability of service.
 - c. Insuring certainty of service.
- 2. Increase their control over their C and C S operations by:
 - a. Increasing the importance of members' right to control.
 - b. Increasing members' responsibility for efficient management.
 - c. Increasing members' participation in the exercise of their right to control.

3. Increase their ownership of their C and C S by:
 - a. Increasing members' equities in their C and C S by operating it more efficiently.
 - b. Increasing the amount of savings available for reserves.
 - c. Permitting the pooling and the exchange of reserves between C and C Services to meet their credit needs.

ADVANTAGES OF FEDERATING WITH INDEPENDENT COOPERATIVES

The advantages which a C and C S derives from federating with independent cooperatives may be listed as follows:

1. Enables the C and C S to contribute to the cooperative movement:
 - a. Its volume of business.
 - b. Its membership fees.
 - c. Its "good will" assets.
2. Enables the C and C S to receive from the Cooperative Movement:
 - a. Managerial assistance.
 - b. Sources of supplies.
 - c. Market outlets.
 - d. Sources of financing.
 - e. Cooperative financing.

BUILDING A VEHICLE OF REHABILITATION

Supervision which, first, uses the action group approach in organizing a C and C S; second, trains its officers; third, develops its membership participation; and fourth, helps its members federate their C and C S, develops borrowers' capacities to operate, own and control their C and C S.

Supervision of this kind develops the C and C S into an effective vehicle of rehabilitation as well as protects the financial interests in it of both its members and the Government.

CHAPTER IX

HOW BORROWERS GAIN USE OF COMMUNITY RESOURCES THROUGH C & C S

Many borrowers feel that they "live in a terrible neighborhood". This attitude is caused by their isolation from the various activities such as schools, churches, fraternal orders, farm organizations, and other groups which make up rural communities.

NEED ISOLATES BORROWERS FROM THEIR COMMUNITY

Borrowers' economic needs isolate many of them from community activities. Their children often hate to go to school because of the shabbiness of their clothing. For the same reason, many adult members of borrowers' families will not go to meetings held by the county agent or to lodges or attend church services. They are ashamed of their poverty. They shrink from all associations in their community which forces them to display it. Their economic needs force them into social isolation.

The social needs of borrowers also isolate them from community activities. Their educational level is considerably below the average in their community. They seldom participate in discussions at any community meeting they might attend even though they disagree with decisions which they are too timid to oppose. However, they give vent to their disagreement when they return home and use it to convince themselves that even their neighbors are against them. They feel a helplessness which they dare not admit, even to themselves.

ISOLATION MAKES BORROWERS RESIST SUPERVISION

Isolation forces borrowers to fear their neighbors and their community, especially all community organizations. They are not spiteful because they want to be. Often they appear anti-social because they are afraid of others. They have little confidence that other people will give them a square deal, so they tend to strike at them before they are struck.

This is the basic reason why borrowers often resist Farm Security Administration supervision. They are afraid to accept it. To them the supervisor personifies the strongest of all community organizations - the Federal Government. They feel that he has at his disposal an enormous power. Because of the fear which isolation has given them, they often have great difficulty in understanding that the supervisor is trying to use that power to help them. They think that there must be a trick in the supervisor's offer of assistance. Therefore, when the supervisor

requests the simplest compliance, even that of filling out a loan application, the borrower's fear makes him instinctively strike back with objections to "red tape". Such a fear attitude makes the supervisor's job a complex one.

BORROWERS OVERCOME ISOLATION IN A C AND C S

The participation of borrowers in a C and C S helps them break down their isolation. This participation begins when borrowers get together with their neighbors in action groups. By meeting together regularly they get acquainted with each other in the small informal meetings and express their ideas and problems without reluctance. They discover that their neighbors have similar problems. They decide to work with them and ask the supervisor for assistance in organizing a C and C S.

As borrowers work together to operate their C and C S, one of them often discovers that a neighbor whom he had formerly distrusted lives up to his word. He begins to gain confidence in him. Soon he begins to enjoy talking with him at action group meetings. This confidence expands to other members of the group, as he meets and works together with them. Soon the borrower feels that he really "belongs" to his action group.

The action group may be composed of only five families, but to its members it is their community. In it borrower-members take their first step, which is often the biggest, from their isolation back to participation in normal community activities.

In these small action group communities, borrowers feel the warmth of human association. Confidence in their group and in themselves replaces their former fear. It releases their dammed up ideas and energy. These flow out into constructive group action. They vitalize the operation of the C and C S.

BORROWERS OVERCOME THEIR NEEDS IN A C AND C S

In their C and C S these borrowers help each other gain freedom from their economic and social needs. They work in it to solve such economic problems as those of obtaining and operating farming equipment, buying **their farm** and home requisites at lower cost, and of marketing what they have to sell for higher prices. Such benefits may often be small in themselves. Together they help members of the C and C S raise their standard of living by obtaining more adequate food, shelter and clothing.

These economic improvements are quickly reflected in overcoming borrowers' social needs. His lack of education and ability to express himself lose some of their terror. When his family gets only a few better clothes, he sends his children to school and begins to attend community meetings at the school or church. A new chair or a table makes his wife want to call in her neighbors to see it.

BORROWERS BUILD THEIR REHABILITATION

In this way the working together of borrowers in a C and C S enables them to build their rehabilitation both in its economic and in its social aspects. They reach an economic level of living upon which they have the necessities required for their participation in normal community activities. By first "belonging" to their action group they gain confidence in their neighbors and through them, in their community. This develops to the point where they become aware of "belonging" to the community in which they live.

BORROWERS KEEP THEIR REHABILITATION

As was pointed out in the introduction, rehabilitation must be kept after it is built. It will do borrowers but little good to raise their level of living and gain the sense of "belonging" to their communities if in so doing they do not own or gain access to enough resources to enable them to weather unforeseen economic storms. They will own, individually, only a limited amount of resources. Therefore, it is necessary for them to acquire access to the resources of their community.

A community's resources are pooled, to a large extent, in such organizations as its school, churches, public health services, cooperatives, farm organizations, and governmental agencies. By participating in the activities of these organizations, the borrower gains access to their resources. He can call upon them for the assistance required to carry him through an emergency.

The vast majority of farm families are definitely dependent upon such an access to the resources of their community. Borrowers should not feel that it is because they are a submerged group that they need the use of their communities' resources. Families with higher income have access to and make full use of these resources. It is borrowers' isolation which shuts them off from a similar use of these resources and tends to keep them in a submerged status.

BORROWERS CONTRIBUTE TO THEIR COMMUNITIES

Borrowers not only need and draw upon the resources of their community, but also have resources which are needed by their communities.

When borrowers grow out of their isolation in action groups and C and C Services they shatter the hoary tradition that poor folks are "no count". In community meetings they express ideas and judgments that are as valuable as anyone's. Proof of this came recently from a county where borrowers had been meeting in action groups for several months. Farmers of the highest income level in that county had also met in action groups for several years. A community problem arose. Each action group discussed the problem at its meeting and sent delegates to a county-wide meeting of action group delegates to work out a solution. An impartial observer reported that the delegates from Farm Security Administration borrower action groups had expressed better ideas and contributed more to the solution of the problem than had delegates from the top income groups.

Such reports prove that borrowers are not lacking in ability. In contrast with the usual absence of borrowers from community meetings and their silence when they do attend, the above report merely proves the extent to which those abilities have been walled up in them by isolation and fear.

COMMUNITIES NEED BORROWERS' ABILITY

The public has long regarded poor people, whom borrowers represent, as community liabilities. Instead, they are community assets - vast reservoirs of ability which merely haven't been tapped.

Poor farmers have ideas and energy, and, possibly most important of all, an intimate knowledge of the small farmers problems which every agricultural program in any rural community must have. The county agent needs their participation in his programs. Land use planning must bring into its program the information and energy which is available only among farmers at the borrower level. Agricultural Adjustment Administration, Soil Conservation Service, Forest Service, and other action agencies have similar needs for borrowers' contributions.

Other rural community activities also need the participation of borrower level families. The elimination of such contagious diseases as tuberculosis, venereal diseases and malaria awaits their active participation in removing the malnutrition and squalor in which these diseases breed. Other community problems which also await the participation of borrowers in their solution, even though they are harder to recognize, are those of inadequate and discriminatory educational, recreational,

and vocational opportunities. Undeveloped adult minds swing like a millstone around the neck of most communities in this nation. Not until all the minds in a community are developed through education will the community, as an integrated unit, make the progress of which it is potentially capable.

The progress of local communities sets the pace of the nation. Their progress in our present war effort will determine this nation's victory or defeat. The post war peace will be won or lost in this nation's local communities. They will need every resource they have to win that peace. Borrowers' resources will be invaluable. They can be developed and directed into constructive community building.

FARM SECURITY ADMINISTRATION DEVELOPS BORROWERS' RESOURCES

The Farm Security Administration has the organization and the facilities with which to develop borrowers' resources. It can do this by administering its program through the three methods of supervision - individual, collective and action group. The individual and collective methods are already well developed and in use. The action group method is now being perfected and extended to all parts of the nation. The use of all three supervisory methods, each supplementing the other two, will develop and release borrowers' resources.

FARM SECURITY ADMINISTRATION'S RESPONSIBILITY FOR USE OF BORROWERS' RESOURCES

The Farm Security Administration has the responsibility given to it by Congress of helping borrowers direct these resources into building and keeping their own rehabilitation. It will help them to act individually and in groups to direct their resources through each phase of the Farm Security Administration's program - Farm and Home Management - Tenure and Farm Debt Adjustment, and Community and Cooperative Service - to increase their net worth, until they build their economic rehabilitation. A large part of this increase will be the result of their progress in building their social rehabilitation by working with others, first, in their action groups, second in their C and C S, and third, in their community organizations. Such participation with others will progressively tie them into their communities in such a way that they can make use of its resources. They will have built, thereby, social rehabilitation as well as economic. Because they have built the two together, they will be able also to keep their rehabilitation.

FARM SECURITY ADMINISTRATION'S OPPORTUNITY

The Farm Security Administration has an opportunity which corresponds to its responsibility. This opportunity lies in its capacity to direct the released resources of borrowers into constructive community action. By merely bringing its action groups into contacts with the needs of such community organizations as land use committees, Farm Security Administration Councils, Parent-Teachers Associations, Public Health Services, farm organizations and local governments, it will bridge the gap which now exists between these organizations and borrowers. In providing such contacts, the Farm Security Administration will not urge affiliation or participation of its borrowers with either of these groups. The decision will be left entirely to the borrowers as individuals. However, experience has shown that once borrowers have become aware of a community problem they willingly contribute their resources to its solution.

By releasing borrowers' resources and making such contacts as those suggested, the Farm Security Administration will avail itself of the opportunity to help borrowers contribute to the building of local communities. The extent to which the Farm Security Administration takes advantage of this opportunity may well determine its contribution to the winning of post-war peace.

This opportunity of the Farm Security Administration, as well as its responsibility, lies in the hands of its supervisors.

